

ALASKA PUBLIC DEBT

2003-2004



STATE OF ALASKA
Frank H. Murkowski, Governor

Department of Revenue

January 2004

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**Department of Revenue
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I. Types of Alaska Public Debt

The State has liability or potential exposure for repayment of principal and interest nine categories. In descending order of the State's liability, the types of obligations are:

- State Debt
- State Supported Debt
- State Guaranteed Debt
- State Moral Obligation Debt
- State and University Revenue Debt
- State Agency Debt
- State Agency Collateralized or Insured Debt
- Municipal Debt
- Industrial Development Bonds

On the following pages, each type of State obligation is briefly discussed and defined. Table 1.1 summarizes Alaska's \$8.0 billion of public debt by type.

In Section II, Alaska issuers of public debt are described, and detailed statistical tables are provided for each issuer.

A. State Debt

State Debt includes revenue anticipation notes (RAN's) and general obligation bonds (GOB's). The full faith, credit and resources of the State are pledged to the payment of principal and interest on this debt. If future State revenues are insufficient to make the required principal and interest payments to bondholders and noteholders, the State is legally required by its contract with bondholders and noteholders to raise taxes in order to meet these obligations.

1. Revenue Anticipation Notes (RAN's)

Short-term State borrowing in anticipation of revenues is permitted under AS 43.08.010. RAN's may be issued and renewed from time to time, but all such notes, renewals and interest thereon shall be paid from revenues by the end of the fiscal year following the year in which the notes were issued. The full faith, credit, resources, and taxing power of the State are pledged to the payment of RAN's and interest thereon. To further secure such payment, and if necessary to effect advantageous borrowing to the State, collateral may also be pledged.

There are no State RAN's issued or outstanding at June 30, 2003.

2. General Obligation Bonds (GOB's)

The State Constitution provides that GOB's must be authorized by law and ratified by the voters. Generally, the Constitution permits authorization of GOB's only for capital improvements. The legal provisions regarding GOB's are contained in Section 8, Article IX of the Alaska Constitution and AS 37.15, the State Bonding Act. The amount and timing of a bond sale must be approved by the State Bond Committee. There is no statutory limit on the amount of State GOB's that may be authorized. \$1,589,941 in authorized GOB's remain unissued at June 30, 2003.

The State has issued GOB's 50 times since statehood, raising almost \$1.9 billion. In addition, the State assumed the outstanding debt of the Territory of Alaska as GOB's of the State. In 1959, the Territorial debt was \$2.9 million. As of June 30, 2003, the State had \$461.9 million in GOB's outstanding.

In April 2003 the State Bond Committee sold State of Alaska GOB's Series A \$359.1 million and Series B \$102.8 million. The Series B bonds are eligible for federal reimbursement of debt service. Accordingly, in

addition to the general obligation pledge of the State of Alaska, this portion of the bonds also have a pledge of the Federal Highway Administration receipts of the State.

The interest cost on State bond issues is determined by several factors, the major factor being the general level of interest rates in the economy. However, the credit rating assigned to an issuer and the investor perception of credit worthiness are also important factors. The State's credit rating improved from Baa1/A in 1973 to Aa2/AA/AA in 1999. A significant factor behind the improved credit rating is the tailoring of maturities to the expected life of the largest oil field on the North Slope, Prudhoe Bay and the State's oil-based revenues. More recently, the extension of the anticipated life of oil production from the North Slope, the liquidity provided by oil-based revenues, and the growth of the State's Permanent Fund have become significant factors.

B. State Supported Debt

State Supported Debt is debt for which the ultimate source of payment is, or may include, appropriations from the State's General Fund. The debt does not have the full faith and credit of the State pledged to it but, it may have the full faith and credit of another public issuer, as in the case of municipal school debt.

State Supported Debt is not considered debt under the Alaska Constitution because the State's payments on the debt obligations, even if they are the subject of a contractual commitment, are subject to annual legislative appropriation. As a result, voter approval of such debt is not required.

State Supported Debt includes lease-purchase financing obligations (structured as certificates of participation (COP's)), the share of municipal G.O. bonds issued for school construction which is reimbursable by the State, the portion of university or municipal G.O. bonds issued for certain capital projects which is reimbursable by the State, and Capital Leases the State has entered for the Atwood Office Building with AHFC and the Anchorage Jail with the Municipality of Anchorage.

Historically, State Supported Debt has been authorized by voter referendum as in the case of municipal school debt, by law as in the case of the University, by legislative resolution pursuant to AS 37.05.280 (now repealed) as in the case of ASHA, and by action of the State Bond Committee as in the case of some COP's.

In 1986, legislation increased legislative control over lease-financing. Chapter 106, SLA 1986, effective January 1, 1988, requires approval by law of any executive branch lease-financing agreements with annual lease payments exceeding \$1 million. Chapter 73, SLA 1992, effective September 14, 1992, adds the requirement of approval by law of leases with total lease payments exceeding \$10 million. Chapter 75, SLA 1994, effective June 7, 1994, generally requires prior legislative approval of all lease-purchase agreements, other than the refinancing of outstanding balances on existing lease purchase agreements and certain University of Alaska transactions.

At June 30, 2003, State Supported Debt was \$782.9 million as shown in Table 1.1.

C. State Guaranteed Debt

In the 1982 general election, voters approved an amendment to Article IX, Section 8 of the Alaska Constitution that permits the State to guarantee unconditionally as a general obligation of the State, the payment of principal and interest on revenue bonds issued by AHFC for the purpose of purchasing mortgage loans made for residences of qualifying veterans. This is the only purpose for which State Guaranteed Bonds may be issued. Because the bonds are general obligations of the State, they must be authorized by law, ratified by the voters, and approved by the State Bond Committee. In five elections from 1982 through 2002 voters approved propositions authorizing \$2.7 billion of State Guaranteed Bonds for veterans' mortgages.

These bonds are known to investors as "double-barreled" because there are two distinct forms of security behind the bonds. Their first lien is on the revenue stream generated by payments on the mortgage loans made from bond sale proceeds. Additional security to bondholders is provided by the general obligation pledge of the State

to make the required debt service payments in the event that revenues are insufficient. In recognition of the creditworthiness of the veterans' bonds, they have been rated AAA; higher than the State G.O. bonds.

The constitutional amendment permitting the State general obligation pledge on veterans' mortgage bonds was necessary only to gain tax-exempt status for the bonds. The Mortgage Subsidy Bond Tax Act passed by Congress in 1980 restricted the ability of states or public corporations to sell tax-exempt housing bonds above specified ceilings unless they were also general obligations of the issuing state and the proceeds were used for housing loans for veterans. After the 1980 legislation and before the 1982 constitutional amendment, AHFC had been issuing more expensive taxable bonds for veterans' as well as non-veterans' loans.

Because of the strong support behind the bonds, independent of the State's general obligation pledge, this debt is not counted by the rating agencies as general obligation debt. However, if problems in meeting debt service on veterans' bonds were to arise, the bonds would be treated as general obligation debt for credit rating purposes.

At June 30, 2003, State Guaranteed Debt was \$320.4 million, as shown on Table 1.1.

D. State Moral Obligation Debt

This type of debt consists of bonds issued by State agencies which are secured, in part, by a reserve fund to which is attached a discretionary replenishment provision. Such a reserve fund is typically called a capital reserve fund. The discretionary replenishment provision typically reads:

The chairman of the authority (or corporation) shall annually, no later than January 1, certify in writing to the Governor and the Legislature the amount, if any, required to restore the capital reserve fund to the capital reserve fund requirement. The Legislature may appropriate to the authority (or corporation) the amount certified by the chairman of the authority (or corporation). Nothing in this section creates a debt or liability of the state.

A capital reserve fund is generally equal in size to the maximum amount of debt service required in any year. Alaska's discretionary replenishment provision means that if the reserve fund should fall below its required level, the State Legislature may, but is not legally required to, appropriate funds sufficient to restore the capital reserve fund to its required level. The most likely reason that such a reserve fund would fall short of the required level is if agency revenues were insufficient to meet a given debt service payment and the reserve fund had to be used to make the payment.

The authority to issue moral obligation bonds is contained in the enabling legislation of Alaska Aerospace Development Corporation, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Student Loan Corporation, Alaska Municipal Bond Bank, and Alaska Energy Authority. Such authority is not granted to the other State agencies.

At June 30, 2003, State Moral Obligation Debt was \$940.3 million, as shown in Table 1.1.

E. State Revenue and University Debt

This type of debt Issued by the State or by the University is secured only by revenues derived from the issuing enterprise. Revenue Debt is not a general obligation of the State or the University and does not require voter approval. Such debt is authorized by law and issued by the University or by the State Bond Committee. This type of debt includes International Airports Revenue Bonds, various University Revenue Bonds and Notes, and Toll Facilities Revenue Bonds.

At June 30, 2003, State Revenue and University Debt was \$468.5 million, as shown on Table 1.1.

F. State Agency Debt

State Agency Debt is secured by revenues generated from the use of bond proceeds or the assets of the agency issuing the bonds. The debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges. The State has, however, appropriated funds to subsidize the interest rate to the borrower in the case of much of the AHFC debt listed as State Agency Debt in Table 1.1.

Nevertheless, if default threatened on any such State Agency Debt, there is some chance the State would step in. The ties between these agencies and the State -- such as their statutory origin and authority, subjection to the executive budget act and State contracting procedures, cabinet membership on boards, legislative approval of bond issuance, and, most fundamentally, achievement of their purpose as a continuing political goal of the State -- may mean that the State has or will take responsibility for such debt even though it has no legal liability. A default on any State Agency Debt would probably affect ratings and interest costs on all State and State Agency and certain municipal debt.

This de facto State responsibility was demonstrated in 1984 by the appropriation of \$210.0 million in Section 313, Chapter 171, SLA 1984 for loans to the AEA to refinance short-term debt relating to the Four Dam Pool. The absence of power sales agreements negated the possibility of any bond buyers or other lenders stepping forward to provide the refinancing.

At June 30, 2003, State Agency Debt was \$183.4 million, as shown on Table 1.1.

G. State Agency Collateralized or Insured Debt

As security for this type of debt, the State agency pledges mortgage loans or other securities which may be 100% insured or guaranteed by another party of superior credit standing. This upgrades the credit rating on the debt and lowers the interest cost. It also makes very remote any likelihood of the State having to assume responsibility for the debt. The details of such debt are explained in the section on AHFC.

At June 30, 2003, State Agency Collateralized or Insured Debt was \$3,094.1 million, as shown on Table 1.1.

H. Municipal Debt

Political subdivisions within the State of Alaska are termed "municipalities." The five categories of municipality are home rule city, general law city, home rule borough, general law borough, and unified municipality.

Alaska municipalities had approximately 1.9 billion in general obligation bonds outstanding at June 30, 2003. Alaska municipalities' general obligation debt has increased several hundred million over the last five years, but still remains well below its peak of over \$2.4 billion in 1986.

In addition to general obligation debt that is supported by local taxes, cities and boroughs may issue debt that is supported by the revenues generated by the project financed through the issuance of debt. At June 30, 2003, approximately \$544.5 million in municipal revenue bonds was outstanding. These revenue bonds accounted for approximately 22% of all local debt outstanding in Alaska.

I. Industrial Development Bonds (IDB's)

The City of Valdez, Alaska issued approximately \$1.7 billion of Industrial Development Bonds (IDB's), from 1976 - 1986, to finance construction of the Trans Alaska Pipeline System. These bonds, repaid solely by revenues from major oil companies, are not obligations of the State of Alaska or the City of Valdez. These Industrial Development Bonds are not included in the amounts of Alaska public debt in this publication.

TABLE 1.1
State of Alaska
State and State Agency Debt by Type of Debt at June 30, 2003
\$(millions)

	principal outstanding	interest to maturity	total debt service to maturity
State Debt			
State of Alaska General Obligation Bonds	\$ 461.9	\$ 229.1	\$ 691.0
State Supported Debt			
Lease-Purchase Financings	81.4	19.9	101.3
State Reimbursement of Municipal School Debt Service	599.2	286.3	885.5
State Reimbursement of capital projects	21.4	8.2	29.6
Capital Leases	80.9	48.1	129.0
Total State Supported Debt	<u>782.9</u>	<u>362.5</u>	<u>1,145.4</u>
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds 1991-2002 (Veterans' Mortgage Program)	320.4	433.6	754.0
State Moral Obligation Debt			
Alaska Industrial Development and Export Authority Revolving Fund Bonds	10.7	2.3	13.0
Alaska Municipal Bond Bank:			
1976 General Resolution General Obligation Bonds	182.2	71.5	253.7
1990 Series A General Resolution Revenue Bonds	0.8	0.0	0.8
1993 Series A General Resolution Revenue Bonds	2.8	0.4	3.2
1993 Series B General Resolution Revenue Bonds	1.2	0.3	1.5
1993 Series C General Resolution Revenue Bonds	0.5	0.4	0.9
1995 Series A General Resolution Revenue Bonds	2.6	1.2	3.8
1997 Series A General Resolution Revenue Bonds	15.2	8.1	23.3
1998 Series A General Revenue Bond	7.4	2.2	9.6
1998 Series B General Revenue Bond	1.6	0.3	1.9
1999 Series A General Revenue Bond	1.8	1.1	2.9
2000 Series A General Revenue Bond	1.3	0.2	1.5
2000 Series B General Revenue Bond	2.9	1.8	4.7
2001 Series A General Revenue Bond	1.7	0.7	2.4
2001 Series B General Revenue Bond	2.5	1.1	3.6
2002 Series A General Revenue Bond	6.3	1.6	7.9
2003 Series A General Revenue Bond	5.7	0.5	6.2
2003 Series B General Revenue Bond	19.0	3.5	22.5
Alaska Energy Authority:			
Power Revenue Bonds #1 (Bradley Lake Hydroelectric Project)	9.9	0.1	10.0
Power Revenue Bonds #2 (Bradley Lake Hydroelectric Project)	11.5	0.0	11.5
Power Revenue Refunding Bonds #3 (BLHP)	51.3	31.6	82.9
Power Revenue Refunding Bonds #4 (BLHP)	43.9	34.5	78.4
Power Revenue Refunding Bonds #5 (BLHP)	30.6	27.4	58.0
Utility Revenue Bonds (City and Borough of Sitka)	25.4	13.1	38.5
Utility Revenue Refunding Bonds (City and Borough of Sitka)	22.0	16.6	38.6
Alaska Student Loan Corporation Student Loan Revenue Bonds	479.6	146.1	625.7
Total State Moral Obligation Debt	<u>940.3</u>	<u>366.7</u>	<u>1,307.0</u>
State Revenue Debt			
International Airports Revenue Bonds	368.2	274.4	642.6
University of Alaska Debt			
University of Alaska Revenue Bonds	68.5	38.8	107.3
University Indebtedness to AK Housing Finance Corporation (5)	28.8	7.6	36.4
Installment Contracts	0.7	0.0	0.7
Other University Notes & Contracts	2.3	1.3	3.6
Total University of Alaska Debt	<u>100.3</u>	<u>47.7</u>	<u>148.0</u>
Total State Revenue and University Debt	468.5	322.1	790.6

TABLE 1.1 (Continued)
 State of Alaska
 State and State Agency Debt by Type of Debt at June 30, 2003
 \$(millions)

State Agency Debt			
Alaska Housing Finance Corporation:			
Commercial Paper	150.0	N/A	150.0
Reverse Repurchase Agreements	0.0	N/A	0.0
AHFC-Public Housing Division			
Wrangell 221 (d) (3) Indebtedness	0.6	0.1	0.7
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	11.0	6.4	17.4
Alaska Railroad	20.0	13.0	33.0
Alaska Industrial Development and Export Authority Revolving Fund Bonds	1.8	0.2	2.0
Total State Agency Debt	<u>183.4</u>	<u>19.6</u>	<u>203.0</u>
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation:			
Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds:			
1990 Through 2002 (First Time Homebuyer Program)	732.1	779.5	1,511.6
2000 & 2002 Taxable FTHB bonds	40.3	23.1	63.4
General Mortgage Revenue Bonds 1997 and 1999	721.3	1,047.4	1,768.7
Housing Development Bonds 1991 through 2002	308.8	233.8	542.6
General Housing Purpose Bonds 1992 and 1994	170.9	107.7	278.6
Government Purpose Bonds 1995, 1997 & 2001	512.6	313.1	825.7
State Capital Project Bonds, 1999, 2001 and 2002	262.5	72.5	335.0
State Building Lease Bonds, 1999 Series A	34.2	15.3	49.5
Alaska Industrial Development and Export Authority:			
Revolving Fund and Refunding Revolving Fund Bonds	222.4	144.4	366.8
Power Revenue Bonds, First Series (Snettisham Hydro Project)	89.0	94.6	183.6
Total State Agency Collateralized or Insured Debt	<u>3,094.1</u>	<u>\$ 2,831.4</u>	<u>\$ 5,925.5</u>
Total State and State Agency Debt	<u>6,222.7</u>		
Municipal Debt			
School G.O. Debt	831.9	\$ N/A	\$ N/A
Other G.O. Debt	1,100.7	N/A	N/A
Revenue Debt	550.2	N/A	N/A
Total Municipal Debt	<u>2,482.8</u>		
Less: State Reimbursable Debt and Capital Leases *	<u>-701.5</u>		
	<u>1,781.3</u>		
Total Alaska Public Debt	<u>\$ \$ 8,004.1</u>		

NOTES

1. Collateral for this issue consists of AHFC real estate-owned properties.
 2. Multifamily housing bonds.
 3. Interest is not calculated on Z-bonds.
 4. Defeased bond issue.
 5. University debt owed to AHFC is double counted in detail, but eliminated from Total Alaska Public Debt
- * Reimbursable school G.O. debt is included in "state supported debt"

Capital Leases are included in State Agency Collateralized or Insured Debt
 State Reimbursement of Capital Projects is included in University and Municipal Debt
 Sources: 2003 annual reports and financial statements of AHFC, ASHA, Bond Bank, AIDEA, AEA, University of Alaska, Railroad, and AMFA and other information provided by State agencies directly.

II. Issuers of Alaska Public Debt

In Section I, the nine types of Alaska public debt are described. In this section, the issuers of Alaska public debt are described. Issuers include the State, State Agencies and University, and Municipalities.

At June 30, 2003, total public debt of Alaska issuers stood at \$ 8.0 billion, as follows:

	<u>\$ (millions)</u>
State of Alaska Debt	\$ 782.3
State Agencies and University Debt	4,739.0
Municipalities Debt	<u>2,727.0</u>
Total Alaska Public Debt	<u>\$ 8,004.1</u>

A. State of Alaska

State debt includes general obligation bonds, lease-purchase financings, International Airport System revenue bonds, toll facility revenue bonds, and revenue anticipation notes.

1. General Obligation Debt

Tables 2.1-2.5 below summarize the State's general obligation debt issued and outstanding.

TABLE 2.1
General Obligation Bonds Annual Debt Service
\$(thousands)

balance outstanding at 6/30/03	<u>payments due during year ended 6/30/03</u>		
	principal	interest	total
461,935	\$ -	\$ -	\$ -

Source: Department of Revenue bond documents

TABLE 2.2
State of Alaska General Obligation Bonds Authorized, Issued, and Outstanding
\$(thousands)

fiscal year	authorized	issued	outstanding at 6/30
1957	\$ 2,932	-	-
1958	-	\$ 1,290	\$ 1,290
1959	-	1,642	2,932
1960	-	-	2,902
1961	30,500	-	2,806
1962	-	13,975	23,405
1963	17,325	14,429	30,336
1964	-	7,865	37,614
1965	7,000	-	36,737
1966	-	-	35,535
1967	62,585	31,585	65,872
1968	13,185	26,000	90,094
1969	44,700	19,000	105,333
1970	-	32,231	133,834
1971	146,200	69,380	195,203
1972	-	53,445	238,943
1973	124,500	47,000	274,578
1974	-	31,000	293,114
1975	189,575	112,300	392,508
1976	-	82,915	462,923
1977	200,981	80,000	530,008
1978	-	85,000	596,213
1979	271,355	100,000	670,503
1980	-	-	631,723
1981	289,712	125,000	701,178
1982	-	200,000	842,413
1983	-	185,000	946,183
1984	-	78,000	924,008
1985	-	-	816,148
1986	(993)	-	706,883
1987	-	-	598,503
1988	-	-	489,818
1989	(2,500)	-	386,091
1990	-	-	290,531
1991	-	-	213,032
1992	-	-	159,383
1993	-	-	108,020
1994	-	-	78,192
1995	-	-	57,971
1996	-	-	39,101
1997	-	-	24,206
1998	-	-	10,891
1999	-	-	2,376
2000	-	-	-
2001	-	-	-
2002	-	-	-
2003	463,525	461,935	461,935
Total	\$ 1,860,582	\$ 1,858,992	\$ 461,935

¹ Does not include \$46,620 refunding issue of 1994.

Source: Department of Administration, Comprehensive Annual Reports and Department of Revenue bond documents.

TABLE 2.3
State of Alaska
General Obligation Bond Sales
Since 1973

date of bonds	average life in years	effective interest rate	underlying ratings Moody's, Standard & Poor's, & Fitch Ratings
Jan. 13, 1973	15.30	5.12%	Baa1/A
Jan. 13, 1973	14.80	5.10%	Baa1/A
Aug. 1, 1973	16.70	5.80%	Baa1/A
Sept. 1, 1974	15.60	6.85%	A1/A
Feb. 1, 1975	14.60	5.98%	A1/A+
May 1, 1975	15.10	6.52%	A1/A+
Oct. 1, 1975	12.50	6.85%	A1/A+
Mar. 1, 1976	9.50	5.86%	A1/A+
July 1, 1976	9.50	5.80%	A1/A+
Feb. 1, 1977	9.50	5.08%	A1/A+
Oct. 1, 1977	7.00	4.50%	A1/A+
Apr. 1, 1978	7.00	4.86%	A1/A+
Jan. 1, 1979	5.50	5.52%	A1/A+
May 1, 1979	5.50	5.59%	A1/A+
July 1, 1980	5.50	5.76%	Aa/AA-
Apr. 1, 1982	5.00	9.98%	Aa/AA-
Nov. 1, 1982	5.00	7.72%	Aa/AA-
Oct. 1, 1983	5.00	7.47%	Aa/AA-
May 1, 1994	2.30	4.88%*	Aa/AA/AA
April 1, 2003	9.09	3.84%*	Aa2/AA/AA

Source: Department of Administration and Department of Revenue bond files

* True interest cost

TABLE 2.4
State of Alaska
General Obligation Bond Issues
\$(thousands)

date	purpose	amount issued	ANIC ¹
June 1, 1958 ²	University of Alaska	\$ 1,290	2.97%
Aug. 1, 1958 ²	Military	65	3.09%
Dec. 1, 1958 ²	University of Alaska	537	3.51%
Dec. 1, 1958 ²	Military	1,040	3.25%
July 1, 1961	Transportation	12,500	3.56%
July 1, 1961	University of Alaska	1,200	3.54%
July 1, 1961	Airport	275	3.00%
July 1, 1962	Transportation	5,500	3.56%
July 1, 1962	University of Alaska	800	3.23%
July 1, 1962	Airport	275	2.94%
July 1, 1962	Hospital	354	2.94%
April 1, 1963	University of Alaska	2,650	3.33%
April 1, 1963	Education	2,700	3.33%
April 1, 1963	Airport	1,550	3.33%
April 1, 1963	Education	600	3.10%
Jan. 1, 1964	Various	7,865	3.56%
Oct. 1, 1966	Various	12,485	3.75%
Oct. 1, 1966	Various	2,600	3.75%
May 1, 1967	Various	16,500	4.50%
Sept. 1, 1967	Transportation	10,500	4.90%
April 1, 1968	Various	15,500	5.18%
Oct. 1, 1968	Various	10,500	5.24%
May 1, 1969	Transportation	8,500	5.73%
July 1, 1969	Various	10,500	5.69%
Sept. 1, 1969	Various	8,200	5.62%
Oct. 1, 1969	University	2,030	3.00%
Mar. 1, 1970	Various	11,501	5.49%
July 1, 1970	Various	12,900	5.91%
Sept. 1, 1970	Various	11,325	5.87%
Feb. 1, 1971	Various	21,325	5.07%
June 1, 1971	Various	18,880	6.03%
June 1, 1971	University	3,750	6.04%
June 1, 1971	University	1,200	6.00%
Feb. 1, 1972	Various	23,445	5.23%
May 1, 1972	Various	30,000	5.15%
Jan. 1, 1973	Transportation	20,000	5.12%
June 1, 1973	Various	27,000	5.10%
Aug. 1, 1973	Various	31,000	5.80%
Sept. 1, 1974	Various	30,000	6.85%
Feb. 1, 1975	Various	40,300	5.98%
May 1, 1975	Various	42,000	6.52%
Oct. 1, 1975	Various	42,915	6.85%

TABLE 2.4 (Continued)
General Obligation Bond Issues
\$(thousands)

March 1, 1976	Various	40,000	5.86%
July 1, 1976	Various	40,000	5.80%
Feb. 1, 1977	Various	40,000	5.08%
Oct. 1, 1977	Various	40,000	4.50%
April 1, 1978	Various	45,000	4.86%
Jan. 1, 1979	Various	40,000	5.52%
May 1, 1979	Various	60,000	5.59%
July 1, 1980	Various	125,000	5.76%
April 1, 1982	Various	200,000	9.98%
Nov. 1, 1982	Various	185,000	7.72%
Oct. 1, 1983	Various	78,000	7.47%
May 1, 1994	Refunding	46,620	4.88%
April 1, 2003	Various	461,935	3.84%
Total ³		<u><u>\$1,858,992</u></u>	

¹ ANIC - Average Net Interest Cost, except for October 1, 1983, May 1, 1994, and April 1, 2003 sales which are true interest.

² State assumed obligation of Territory.

³ Excluded May 1, 1994 refunding bonds

Source: State Bond Committee records.

TABLE 2.5
General Obligation Debt
Issued by Purpose
\$(thousands)

purpose	amount issued	percentage
Transportation	\$ 768,463	41.3%
Education	623,922	33.6%
Water and Sewer	135,640	7.3%
Fish, Game, and Recreation	93,099	5.0%
Public Safety (Fire and Corrections)	86,544	4.7%
Flood Control and Harbor Development	75,790	4.1%
Health and Housing	75,534	4.1%
Total	<u><u>\$ 1,858,992</u></u>	<u><u>100.0%</u></u>

Source: Bonded Debt Service, State of Alaska.

2. Lease-Purchase Financing

a. General

Lease-purchase financing involves the issuance, by a lessor, of debt which is secured by the lease payments from the lessee (State) and by the leased facilities.

Lease-purchase obligations and capital leases may provide for the acquisition of the property by the lessee by the end of the lease. Alternatively, the term of the lease, the lease payments, or purchase option price are such that the lessee (State) is considered the owner of the property for accounting, credit, or federal tax purposes from the outset of the lease. As a result, the interest portion of the lease payments is treated as tax-exempt interest income under the federal income tax.

A lease-purchase financing obligation may take the form of either revenue bonds or certificates of participation. In cases where the State is the lessee, the fact that the lease payments are subject to annual appropriations precludes the obligations from being considered State debt under the Constitution and thus requiring voter approval. However, because the debt obligation is paid from the State's General Fund, these obligations are counted by the rating agencies in measuring the State's debt burden.¹

b. Certificates of Participation (COP's)

Certificates of participation in rent (COP's) are similar to lease revenue bonds. The certificates represent fractional interests or shares in lease payments from lessees, in this case the State, and are sold to finance construction or purchase of the leased facilities. The issuer can be a private developer, public agency, or other party acting as lessor. It can be the State itself, utilizing a trustee to hold title to the property and serve as lessor.

COP's are payable solely from the annual lease payments made by the State. These payments are subject to legislative appropriation. Therefore, COP's are not considered State debt and are not subject to voter approval.

¹ *The State is also a lessee in two buildings that qualify as capital leases, the Atwood Building financed by general obligation bonds of the Alaska Housing Finance Corporation, and the Anchorage Jail financed by lease revenue bonds of the Municipality of Anchorage. In these financings, the leases are also security for the financing. The State may acquire the Atwood Building at the term of the lease, and the State will pay the full cost of the constructing the Anchorage Jail. Accordingly, the financings qualify as lease-purchase from an accounting, credit, or federal tax standpoint. In other state facility leases, the leases do not qualify as lease-purchases, and are called operating leases. In addition, AIDEA has participated in financings that relied on the small issues exemption rather than the State leases to obtain tax-exempt status. Most of these lease financings are revenue bonds of AIDEA, backed by the lease revenues, but with a standby purchase agreement from a bank in the event the State fails to renew the lease. If exercised, the bank purchases the bonds as an investment and held not for resale. Other lease financings are general obligations of AIDEA, backed by the Authority's general assets and revenues. At this point, the State has not determined what amount of credit exposure it has for these AIDEA lease financings. It may be that standby purchase agreements and AIDEA's general obligation pledge would cover all financing requirements of lease-purchase obligations. This would provide a layer of credit insulation between the debt and the State that would argue against the debt being considered State Supported Debt.*

The following Table 2.6 summarizes issued and outstanding COPs.

TABLE 2.6
State of Alaska Lease-Purchase Financing ¹
Issued and Outstanding
\$(thousands)

<u>Certificates of Participation (COP's)</u>				
	date	amount issued	outstanding at 6/30/03	final maturity
Anchorage Times Building	6/2/1994	6,153	768	12/1/2003
Soldotna Maintenance Facility	9/1/1997	4,900	2,790	1/1/2008
Fairbanks Courthouse	10/15/1997	29,900	22,605	1/1/2013
Palmer Airport Fire Facility	12/15/1997	5,995	2,710	6/15/2007
Anchorage Health Lab	1/1/1998	18,440	10,490	1/1/2008
Spring Creek Correctional Center (refunding)	6/15/1998	28,040	11,905	9/1/2006
Alaska Psychiatric Institute	4/15/2002	16,000	16,000	7/15/2016
Seafood and Food Safety Lab	8/1/2003	14,145	14,145	1/15/2019
Total Certificates of Participation		<u>\$123,573</u>	<u>\$ 81,413</u>	

¹ Excludes Alaska State Housing Authority lease revenue bonds.

Source: Department of Revenue official statements

International Airport System Revenue Bonds

Bonds have been issued to finance improvements to the State's two international airports and are secured by a first lien on gross revenues derived from airport operations. The Commissioner of Transportation and Public Facilities is required by each bond resolution to fix and collect fees, charges, and rentals for the use of facilities of the International Airports sufficient each year to provide adjusted net revenues at least equal to 125 percent of debt service requirements during that year. Table 2.8 indicates that over the past ten fiscal years, adjusted net revenues have exceeded the amount required to pay debt service. In 2001, the State executed new five year rate and fee agreements with air carriers using the airports. The rents and fees calculated according to the agreements are airline terminal building rental rates, landing fees, international terminal docking fees, passenger loading bridge fees, and charges relating to federal inspection services. The agreements also establish procedures for review and adjustment of airline rents and fees for each fiscal year to ensure that revenues are sufficient to meet operations and maintenance expenses, debt service requirements of the revenue bonds and other funding requirements established by the resolution authorizing issuance of the revenue bonds.

In August 1993 all outstanding International Airport Revenue Bonds were refinanced with Series H and I. The International Airports bonds outstanding are rated Aaa by Moody's and AAA by Standard & Poor's. This rating is because the 1993 refunding issue was insured.

The AIAS issued 94.925 million in additional revenue bonds in December 2003. They will be used to complete the Terminal Redevelopment Project that was originally funded with the 1999 Series A and B bonds, to provide matching funds on various 2004-2006 Alaska International Airports System capital projects, and to refund the 1993 Series I bonds.

The following Tables 2.7 and 2.8 provide additional information on the Airport Revenue Bonds.

TABLE 2.7
International Airports System
Debt Issued and Outstanding
\$(thousands)

revenue bonds	date	amount issued	outstanding at 6/30/03	interest rate (%)	final maturity
Series A	6/1/1968	\$ 7,000	-	5.69	6/1/1988
Series B	6/1/1969	2,225	-	6.39	6/1/1989
Series C	6/1/1971	6,500	-	7.23	6/1/1996
Series D	6/1/1973	8,500	(defeased)	5.85	6/1/1998
Series E	2/1/1975	10,600	(defeased)	7.48	6/1/1992
Series F	8/1/1983	28,000	(defeased)	9.46	8/1/1999
Series G	10/1/1986	38,000	(defeased)	7.80	10/1/2015
Series H	8/1/1993	15,690	-	4.50	10/1/1999
Series I	8/1/1993	34,755	25,715	5.67	10/1/2015
Series 1999 A	1/15/1999	162,500	160,270	4.99	10/1/2024
Series 1999 B	1/15/1999	16,675	16,435	4.87	10/1/2024
Series 1999 C	10/1/1999	25,000	25,000	6.05	10/1/2024
Series 2002 A	4/1/2002	13,060	13,060	4.59	10/1/2007
Series 2002 B	4/1/2002	127,720	127,720	5.47	10/1/2027
Total Bonds		<u>\$ 496,225</u>	<u>\$ 368,200</u>		

Source: State of Alaska financial statements, International Airports.

TABLE 2.8
International Airports System Revenue Bonds

fiscal year	net revenue (\$ millions)	debt service (\$ millions) ¹	ratio net revenues to debt service ²
1983	7.7	2.4	3.23
1984	9.1	1.5	6.16
1985	20.1	6.0	3.42
1986	22.4	5.5	4.10
1987	20.1	6.9	2.90
1988	28.9	8.3	3.47
1989	30.9	8.6	3.59
1990	21.4	8.6	2.49
1991	18.1	8.6	2.10
1992	12.0	8.6	1.41
1993	10.5	7.6	1.38
1994	10.6	2.8 ³	3.79
1995	15.6	5.6	2.79
1996	17.9	5.7	3.14
1997	19.7	5.7	3.46
1998	20.7	5.7	3.63
1999	16.3	5.7	2.86
2000	18.7	4.8	3.90
2001	37.4	19.0	1.97
2002	30.5	19.0	1.61
2003	32.9	22.0	1.50

¹ Excludes debt service on Series E bonds which have been defeased.

² Required coverage of 1.5 until 1999. Since 1999 coverage requirement is 1.3.

³ Excludes debt service on Series F and G bonds which were defeased in FY 94.

Source: Department of Administration, Comprehensive Annual Report

3. Revenue Anticipation Notes (RAN's)

There have been no RAN's issued.

4. Toll Facilities' Revenue Bonds

Legislation enacted in 1984 authorizes the issuance of State revenue bonds for toll bridges, tunnels, highways, roads, crossings, and causeways. Under AS 37.15.610, the maximum amount of toll facilities bonds that may be issued is \$500 million. No bonds have been issued. Legislative approval of bonds to be issued and an appropriation of bond proceeds are required before any project proceeds.

Section 5 of Chapter 165, SLA 1988 mandates the construction of the Copper River highway as a toll facility subject to the availability of certain federal funds. The possible use of revenue bonds to finance all or part of the project has not been determined or approved by the Legislature.

B. State Agencies (Alphabetically)

1. Alaska Aerospace Development Corporation

The Alaska Aerospace Development Corporation was created in 1991 as a public corporation of the State. It is located for administrative purposes within the Department of Commerce and Economic Development and affiliated with the University of Alaska but with a separate and independent legal existence. The purpose of the Corporation is to allow the State to take a lead role in the exploration and development of space, to enhance human and economic development, to provide a unified direction for space-related economic growth, education, tourism, research development, and improve the entrepreneurial atmosphere in the State.

The Corporation may issue moral obligation bonds and otherwise incur indebtedness in order to pay the cost of a project or projects to construct or improve launch facilities or other space and aerospace projects or in order to provide money for the Corporation's purposes. Original bond issues in excess of \$1,000,000 each calendar year must have legislative approval. In addition, legislative approval is required if the annual debt service on all outstanding bonds issued and bonds proposed to be issued exceeds \$1,000,000 in a fiscal year. The Corporation has not issued any bonds.

2. Alaska Energy Authority

The Alaska Energy Authority (AEA) was created by the Alaska State Legislature in 1976 to finance, construct, and operate power production and transmission facilities. In May of 1993, the Alaska Legislature passed a bill which set in motion a fundamental change in the State's role in energy programs and oversight of State owned power projects.

In May of 1993, Governor Hickel signed legislation that substantially revised the duties and responsibilities of the independent corporate entity that was AEA and created a new Division of Energy within the Department of Community and Regional Affairs. Effective August 18, 1993, this new division took on the Authority's rural programs and planning as well as the responsibility and management for a number of small electrical and waste heat recovery systems located throughout Alaska. Oversight responsibility for AEA was transferred to the Alaska Industrial Development and Export Authority, whose board and executive director also serve in the same capacity for AEA. To ensure the integrity of AEA bonds, the Authority continues to exist as a public corporation, but its ability to construct and acquire projects was eliminated.

From 1993 through mid-1999 AEA existed for the purpose of owning and operating power production and transmission facilities with original costs in excess of \$1 billion. AEA's assets currently include, the Bradley Lake and Larsen Bay hydroelectric projects and the Alaska Intertie. The Four Dam Pool hydroelectric facilities (Swan Lake, Tyee Lake, Terror Lake and Solomon Gulch) were sold in January 2002.

Pursuant to legislation effective July 1, 1999, rural energy programs previously administered by the former Department of Community and Regional Affairs, Division of Energy, were transferred to AEA for administration as part of a larger reorganization of state agencies. Five general energy programs comprising more than twenty smaller programs were moved to AEA. Rural energy programs were originally part of AEA prior to the reorganization that occurred in 1993.

a. Debt Issued and Outstanding

Legislation that became effective in August, 1981 established an Energy Program for Alaska administered by AEA. Under the Energy Program, AEA was able to acquire or construct power projects with money appropriated by the Legislature to the Power Development Fund. Debt issued under the Energy Program was secured by power sales contracts which provide that each project constructed under the program bears charges to service the debt based on its pro-rata share of the construction costs of all projects of the program.

AEA issued short-term debt in the amount of \$200 million to finance construction of three hydroelectric projects under the Energy Program for Alaska. In 1984, a State appropriation was enacted to the Department of Commerce and Economic Development for a loan to AEA to refinance the short-term debt. A loan agreement eventually totaling \$192,847,000 was executed on September 27, 1984 to meet the following maturities of the short-term debt:

Four Dam Pool Hydroelectric Projects

	<u>Debt</u>	<u>Maturity</u>
Swan Lake	\$ 26,165,000	9-28-84
Tyee Lake	50,000,000	1-02-85
Terror Lake	115,000,000	5-15-85
Total	\$ 191,165,000	

In 1982, AEA assumed \$44,858,858 of debt payable to the Rural Electrification Association (REA) in connection with the Solomon Gulch hydroelectric project, the fourth dam in the Four Dam Pool. At the same time that AEA assumed the REA debt, it deposited an amount with a trustee sufficient to defease the debt.

Legislation enacted into law in 1985 exempted Four Dam Pool wholesale power rates from provisions of the Energy Program for Alaska that tie rates to total debt issued under the program. As a result, power sales agreements effective October 28, 1985 were signed that provided the means for AEA to repay the State loans.

A new loan agreement for \$187,480,249 effective concurrently with the power sales agreements was executed providing for repayment of State loans at approximately 6 percent interest with a 45-year term. On September 22, 1986, the State lent AEA an additional \$1 million under the loan agreement to reimburse local communities for their costs in negotiating the power sales agreements. The loan was secured by the hydroelectric facilities of the Pool and any AEA revenues from power sales from the facilities.

In January 2002, pursuant to legislation enacted in 2000 and 2001, the Four Dam Pool projects were sold to The Four Dam Pool Power Agency, a joint action agency. The Agency's membership is composed solely of the utilities that purchase power from the Four Dam Pool projects. Under the terms of the Sale, the Agency was assigned all of AEA's interest and assumed all of AEA's obligations in the Four Dam Pool projects and the Power Sales agreement. As part of the transaction, the remaining balance of debt owed to the State was forgiven.

On November 20, 1985, \$267,500,000 of AEA bonds were issued to provide interim financing for a fifth project under the Energy Program for Alaska, the Bradley Lake hydroelectric project. The bonds were general obligations of the Authority and were secured by bank letters of credit and a capital reserve fund. The bonds were retired in fiscal year 1991.

Power Revenue Bonds, First and Second Series, were issued in September, 1989 and August, 1990, respectively. They were used to refund AEA's Variable Rate Demand Bonds for the long term financing of the construction costs of the Bradley Lake Hydroelectric Project. The bonds are general obligations of AEA, and are backed by the moral obligation of the State of Alaska. The project and its revenues are pledged to the bonds. The bonds are insured and are rated AAA by Moody's and Standard & Poor's.

On April 6, 1999 AEA issued \$59,485,000 of Power Revenue Refunding Bonds, Third Series, for the purpose of refunding \$59,110,000 of the First Series Bonds. The refunded First Series Bonds were called on July 1, 1999.

On April 13, 1999, AEA issued \$30,640,000 of Power Revenue Refunding Bonds, Fifth Series, for the purpose of refunding \$28,910,000 of the First Series Bonds. The refunded First Series Bonds were called on July 1, 1999.

On April 4, 2000, AEA issued \$47,710,000 of Power Revenue Refunding Bonds, Fourth Series, for the purpose of refunding \$46,235,000 of the Second Series Bonds. The refunded Second Series Bonds were called on July 1, 2000.

All of the revenues derived by AEA from the operation of the Bradley Lake project and all moneys, securities and funds (except the excess earnings fund), including a capital reserve fund, held or set aside are pledged and assigned to secure the payment of principal, redemption premium, if any, and interest on the Bradley Lake bonds. AEA has covenanted to notify the State Legislature of any failure to maintain the capital reserve fund at its required level. The bonds are further secured by bond insurance. AEA collects from each power purchaser a percentage share of annual project costs. The outstanding Bradley Lake Bonds mature annually each July 1 through the year 2021 with interest rates ranging from 5% to 6.25%.

In 1991, a power sales agreement was signed between AEA and the City of Larsen Bay. Bonds totaling \$855,000 were issued to provide funds to complete the financing and construction of an earth filled dam to generate power for Larsen Bay. The bonds were secured by a letter of credit. In June 2002, all remaining outstanding bonds were defeased and the bonds were called on October 1, 2002.

In May 1992, AEA issued \$56,890,000 of tax-exempt bonds that allowed the City and Borough of Sitka (Sitka) to refinance its 1979 municipal bonds, resulting in significant debt service savings to Sitka. In November 1997, AEA issued \$22,080,000 of tax-exempt bonds to advance refund and defease \$20,145,000 of the Series 1992 bonds (collectively with the Series 1992 bonds, the Sitka Bonds). As of June 30, 2003, the outstanding balance was \$47,395,000.

The Sitka Bonds are special obligations of AEA secured under a trust indenture and are payable solely from the sources provided under the trust indenture. They are equally and ratably secured by a pledge and assignment of the municipal revenue bonds of Sitka held by AEA under the trust indenture, the obligation of Sitka to make payments under its loan agreement with the AEA and the money and securities held under the trust indenture, including a capital reserve fund. AEA has covenanted to notify the State Legislature of any failure to maintain the capital reserve fund at its required level. The bond are further secured by bond insurance.

The Sitka bonds do not constitute an indebtedness or other liability of the State, including AEA, and do not directly, indirectly or contingently obligate the State, including AEA, or any political subdivision thereof to levy any form of taxation for the payment of the bonds. Neither the full faith and credit nor the taxing power of the State, including AEA, or Sitka is pledged for the payment of the Sitka Bonds.

At June 30, 2003, AEA's outstanding debt was \$194.6 million, as shown below in Table 2.9.

TABLE 2.9
Alaska Energy Authority
Debt Issued and Outstanding
\$(thousands)

	date	amount issued	outstanding at 6/30/03	final maturity
(Bradley Lake Hydroelectric Project) Power Revenue Bonds, Second Series	9/7/1989	111,755	9,910	7/1/2021
(Bradley Lake Hydroelectric Project) Power Revenue Bonds, Third Series	8/28/1990	68,445	11,520	7/1/2021
(Bradley Lake Hydroelectric Project) Power Revenue Bonds, Fourth Series	4/6/1999	59,485	54,140	7/1/2017
(Bradley Lake Hydroelectric Project) Power Revenue Bonds, Fifth Series	4/4/2000	47,710	45,855	7/1/2021
(Bradley Lake Hydroelectric Project) Utility Revenue Bonds	4/13/1999	30,640	30,640	7/1/2021
(City and Borough of Sitka) Utility Revenue Refunding Bonds	5/14/1992	56,890	25,365	7/1/2015
(City and Borough of Sitka)	11/25/1997	22,080	22,030	7/1/2020
Total		\$ 397,005	\$ 199,460	

Source: Alaska Energy Authority financial statements.

3. Alaska Housing Finance Corporation

The Alaska Housing Finance Corporation (AHFC) is a public corporation administratively located within the Department of Revenue but with a separate and independent legal existence. AHFC was chartered in 1971 to provide financing for low and moderate income housing and housing located in remote, underdeveloped, or blighted areas of the State. Effective July 1, 1992, the Alaska State Housing Authority (ASHA) was abolished and the duties assigned to it were transferred to the Alaska Housing Finance Corporation. Assets transferred to AHFC totaled \$94.2 million. Liabilities transferred were \$82.8 million, of which \$61 million represented bonds and notes payable.

Since 1980, when AHFC's powers were expanded by removing borrower income restrictions, the Corporation has emerged as a major supplier of mortgage funds in the State, in addition to being the largest issuer of debt (taxable and tax-exempt). Table 3.0 indicates the amounts of AHFC borrowing since 1972.

TABLE 3.0
Alaska Housing Finance Corporation
Debt Issued
\$(thousands)

calendar year	debt issued
1972-1980	\$ 1,138,195
1981	650,000
1982	637,000
1983	1,000,000
1984	1,009,935
1985	752,445
1986	925,000
1987	294,000
1988	520,000
1989	703,000
1990	790,103
1991	518,390
1992	254,370
1993	240,245
1994	508,815
1995	365,000
1996	164,926
1997	775,316
1998	130,000
1999	905,800
2000	405,135
2001	708,685
2002	632,710
2003	160,090
Total	<u><u>\$ 14,189,160</u></u> ¹

Source: Alaska Housing Finance Corporation

¹ Does not include AHFC Public Housing (Formerly ASHA) debt.

Includes AHFC Sponsored "Conduit Debt"

Includes AHFC Subsidiary issued debt.

The bonds issued by AHFC are secured by the general obligation pledge of the Corporation and mortgages purchased with bond proceeds or, in the case of collateralized debt, by mortgage-backed securities as more fully explained below. AHFC subsidiary issued debt is not secured by the general obligation of the corporation but rather by pledged receipts paid to the state under the Master Settlement Agreement.

Additional security features on various AHFC debt obligations may include federal or private mortgage insurance on individual mortgage loans, mortgage pool insurance, bank loan facility or letter of credit arrangements in the event mortgage prepayments are less than anticipated by the bond redemption schedule, bond insurance, and the full faith and credit guarantee of the State on veterans' mortgage bonds.

a. Federal Tax-Exemption and Ceilings

The Federal Tax Reform Act of 1984 established a ceiling of \$302.5 million, in the case of Alaska, for annual issuance of qualified veterans mortgage bonds on a tax-exempt basis. The Act also makes more restrictive the definition of those who qualify as veterans.

Since 1980, when the Mortgage Subsidy Bond Tax Act was enacted, Alaska also had been subject to a \$200 million annual ceiling on tax-exemption for qualified mortgage revenue bonds (AHFC Home Mortgage Bonds, also known as AHFC's first-time home-buyer bonds). The Tax Reform Act of 1986 substituted a ceiling on annual issuance of Qualified Private Activity Bonds (PAB's), effective August 15, 1986, at the level of \$250 million for the remainder of 1986, \$250 million for 1987, and \$150 million per year thereafter. The PAB ceiling was increased to \$187.5 million in 2001, with an increase to \$225 million in 2002, and to \$228.6 million in 2003. The PAB ceiling encompasses not only qualified mortgage revenue bonds but also student loan bonds, some of the types of tax-exempt debt that might be issued by AIDEA and AEA, and certain other types of tax-exempt bonds. AHFC's allocation and usage of PAB is presented in Table 5.6.

b. Bond Authorization

AS 18.56.110(g) which took effect in FY 1982 placed a statutory ceiling on AHFC annual bond issuance for the first time. The amounts authorized are:

AHFC Annual Bond Issuance Ceiling

<u>Fiscal Year</u>	<u>Amount \$(Millions)</u>
1982	\$ 802
1983	980
1984	980
1985 and subsequent years	\$ 1,500

c. Security for Debt

Included in the above amounts are State Guaranteed veterans' bonds which were authorized by law and the voters in the following amounts (in millions):

<u>Authorization Calendar Year</u>	<u>Authorized</u>	<u>Issued as of June 30, 2003</u>
1982	400.0	400.0
1983	500.0	500.0
1984	700.0	700.0
1986	600.0	552.5
2002	500.0	0.00
Total:	<u>2,700.0</u>	<u>2,152.5</u>

As of June 30, 2003, \$547.5 million of state guaranteed bonds remain unissued.

d. Debt Issued and Outstanding

Table 3.1 summarizes AHFC debt issued and outstanding by type of debt.

TABLE 3.1
Alaska Housing Finance Corporation
Debt Issued and Outstanding by Type of Debt
\$(thousands)

	credit rating 1	2003	debt issued through 2003	debt outstanding at 6/30/03
CollateralizedHMB & Mortgage Revenue Bonds	Aaa/AAA		2,180,575	\$ 772,375
Collateralized Bonds (Veterans Mortgage Program)	Aaa/AAA		1,447,500	320,440
General Mortgage Revenue Bonds 1997 Series A	Aaa/AAA/AAA		434,911	318,246
General Mortgage Revenue Bonds 1999 Series A	Aaa/AAA/AAA		302,700	253,030
General Mortgage Revenue Bonds 2002 Series A	Aaa/AAA/AAA		150,000	150,000
Housing Development Bonds 1993 Series A-E (3)	Aa/A+		31,345	25,615
Housing Development Bonds 1997 Series A-C (3)	Aa/A+		47,405	44,585
Housing Development Bonds 1999 Series A-C (3)	Aaa/AAA/AAA		56,755	54,310
Housing Development Bonds 2000 Series A&B (3)	Aa2,VMIG 1/AA-,A-1+/AA+,F1+		62,450	60,420
Housing Development Bonds 2002 Series A-C(2)(3)	Aaa,VMIG-1/AAA,A-1/AAA,F		125,000	123,905
General Housing Purpose Bonds 1992 Series A	Aa/A+/AA		200,000	31,825
General Housing Purpose Bonds 1994 Series A	Aa/A+/AA		143,815	139,095
Governmental Purpose Bonds 1995 Series A	Aaa/AAA/AAA		335,000	156,095
Governmental Purpose Bonds 1997 Series A	Aaa/AAA/AAA		33,000	29,800
Governmental Purpose Bonds 2001 Series A-D	Aaa,VMIG-1/AAA,A-1+/AAA,F-1+		370,170	326,710
State Capital Project Bonds 1999 Series A	Aa2/AA-/AA+		92,365	36,540
State Capital Project Bonds 1999 Series B	Aaa/AAA/AAA		103,980	53,630
State Capital Project Bonds 2001 Series A	Aa2/AA-/AA+		74,535	64,610
State Capital Project Bonds 2002 Series A-C (2)	Aaa/AAA/AAA		107,710	107,710
State Building Lease Bonds 1999	Aaa/AAA/AAA		40,000	34,185
Conduit Debt Sponsored by AHFC	N/A		5,055	4,245
Former Alaska State Housing Authority Debt	Various		201,080	607
NTSC, a subsidiary of AHFC:				
Tobacco Settlement Asset-Backed Bonds, Series 2000	Aa3/A/A+		116,050	108,210
Tobacco Settlement Asset-Backed Bonds, Series 2001	Aa3/A/A+		126,790	118,640
Total			\$ -	\$ 6,788,191

NOTES:

- 1 Moody's/Standard & Poor's/Fitch
- 2 Ratings reflect fixed rate bonds and variable rate bonds for this issue respectively.
- 3 Multifamily Housing bonds.

	credit rating as of 6/30/03	N/A	amount at 6/30/03
Short-term debt outstanding:			
Commercial Paper	P-1/A-1+/F-1+		150,000
Reverse Repurchase	N/R		-
Total			150,000

e. Collateralized and Insured Bonds

Collateralized bonds, which incorporate the guarantees of the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and the Government National Mortgage Association (GNMA), should relieve concern about potential contingent liability to the State for that portion of AHFC indebtedness represented by such bonds. This is particularly reassuring in the case of State Guaranteed bonds (veterans' mortgage program) for which the full faith and credit of the State has been pledged.

The underlying conventional mortgages of AHFC's collateralized bonds issued during part or prior to July 1993 were exchanged for mortgage-backed certificates through FHLMC, FNMA or GNMA. The certificates, and the mortgage payments thereon, are pledged to the bond trustee as security for the bonds. FHLMC, FNMA, and GNMA guarantee that the certificate holder, in this case the bond trustee and thus the bondholders, will receive the principal and interest when due.

FHLMC, FNMA, and GNMA guarantee that the certificate holder, in this case the bond trustee and thus the bondholders, will receive the principal and interest when due.

Collateralized bonds lower the cost of funds to AHFC. Collateralized bonds issued after July 1993 are structured to achieve "Triple A" ratings on the basis of the pledged whole loan collateral. Table 3.2 lists collateralized obligations.

TABLE 3.2
Alaska Housing Finance Corporation
Collateralized Debt Obligations
\$(thousands)

issue	tax exempt	debt issued	date of bonds	guarantor	06/30/03 debt outstanding
Collateralized Bonds (Veterans Mortgage Program)					
1984 First Series	Yes	\$ 100,000	10/18/1984	FNMA, GNMA	-
1984 Second Series	Yes	302,500	12/27/1984	FNMA, GNMA	-
1985 First Series	Yes	150,000	10/10/1985	FNMA, GNMA	-
1988 First Series	Yes	50,000	4/6/1988	FHLMC, FNMA, GNMA	-
1989 First Series	Yes	45,000	11/28/1989	FHLMC, FNMA, GNMA	\$ -
1990 First Series	Yes	35,000	11/27/1990	FHLMC, GNMA	-
1991 First Series	Yes	45,000	5/30/1991	FHLMC, GNMA, FNMA	1,790
1991 Second Series	Yes	60,000	11/21/1991	FHLMC, GNMA, FNMA	4,190
1992 First Series	Yes	45,000	6/24/1992	FHLMC, GNMA, FNMA	8,400
1993 First Series	Yes	65,000	7/13/1993	*	7,000
1994 First Series	Yes	130,000	9/29/1994	*	51,095
1995 First Series	Yes	30,000	8/22/1995	*	8,460
1997 First Series	Yes	100,000	11/19/1997	*	37,300
1998 First Series	Yes	48,405	6/16/1998	*	28,075
1998 Second Series	Yes	11,595	6/16/1998	*	7,860
1999 First Series	Yes	110,000	10/28/1999	*	70,015
2000 First Series	Yes	70,000	6/14/2000	*	51,590
2002 First Series	Yes	50,000	4/4/2002	*	44,665
Total					320,440
Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds					
1984 Series A	Yes	75,000	12/18/1984	FNMA, GNMA	-
1985 Series B	Yes	102,445	12/18/1985	FNMA, GNMA	-
1986 Series A	Yes	50,000	6/25/1986	FNMA, GNMA	-
1987 Series A	Yes	67,000	5/28/1987	FHLMC, FNMA, GNMA	-
1987 Series B	Yes	50,000	12/2/1987	FNMA, GNMA	-
1988 Series A	Yes	85,000	11/30/1988	FHLMC, FNMA, GNMA	-
1989 Series B	Yes	148,000	11/29/1989	FHLMC, FNMA, GNMA	-
1990 Series A-3	Yes	152,000	1991-1993	FHLMC, GNMA	9,425
1996 Series A	Yes	159,870	9/12/1996	*	40,876
1997 Series A	Yes	159,999	12/4/1997	*	94,320
1998 Series A	Yes	70,000	6/17/1998	*	45,675
1999 Series A	Yes	200,000	11/17/1999	*	163,140
2000 Series A	Yes	58,315	11/14/2000	*	28,920
2000 Series B	Yes	3,795	11/14/2000	*	3,795
2000 Series C	Yes	68,785	11/14/2000	*	56,140
2000 Series D	No	25,740	11/14/2000	*	16,010
2001 Series A	Yes	32,740	10/17/2001	*	30,245
2001 Series B	Yes	104,450	10/17/2001	*	89,575
2002 Series A	Yes	170,000	5/16/2002	*	170,000
2002 Series B	No	30,000	5/16/2002	*	24,255
Total					772,376

TABLE 3.2 (Continued)
Alaska Housing Finance Corporation
Collateralized Debt Obligations
\$ (thousands)

Secured Bonds						
1986 Series A-E	No	265,000	1986	FNMA, GNMA		-
1988 Series F-G	No	45,000	1988	FNMA, GNMA		-
Total						-
Z Bonds						
Series 1987-1	No	19,500	11/17/1987	FHLMC, FNMA, GNMA		-
Series 1988-1	No	10,000	1/14/1988	FNMA, GNMA		-
Total						-
Medium-Term Notes						
Series 1986-1-4	No	335,000	1986	FNMA, GNMA		-
Series 1987-1	No	72,500	11/17/1987	FHLMC, FNMA, GNMA		-
Series 1988-1	No	43,000	1/14/1988	FNMA, GNMA		-
Total						-
Floating Rate Notes						
Series 1986-1	No	125,000	7/15/1986	FNMA, GNMA		-
Total						-
Collateralized Mortgage Obligations						
Series 1988-1	No	75,000	5/1/1988	FNMA, GNMA		-
Series 1988-2	No	100,000	10/1/1988	FNMA, GNMA		-
Series 1988-3	No	100,000	10/1/1988	FNMA, GNMA		-
Series 1989-1	No	200,000	4/1/1989	FNMA, GNMA		-
Series 1989-2	No	75,000	10/1/1989	FHLMC, GNMA		-
Series 1989-3	No	70,000	12/1/1989	FNMA		-
Series 1989-4	No	75,000	12/1/1989	FHLMC, GNMA		-
Series 1990-1	No	75,000	7/1/1990	FHLMC, FNMA, GNMA		-
Series 1990-2	No	75,000	10/1/1990	FHLMC, FNMA, GNMA		-
Series 1990-3	No	50,000	12/1/1990	FNMA, MGIC		-
Series 1991-1	No	75,000	1/1/1991	FHLMC, GNMA		-
Total						-
General Mortgage Revenue Bonds						
Series 1997	Yes	434,911	4/16/1997	*		318,246
Series 1999	Yes	302,700	9/28/1999	*		253,030
Series 2002	Yes	150,000	10/15/2002	*		150,000
Total						721,276
Governmental Purpose Bonds						
Series 1995	Yes	335,000	11/15/1995	*		156,095
Series 2001 A,B	Yes	170,170	8/2/2001	*		164,250
Series 2001 C,D	Yes	200,000	8/2/2001	*		162,460
Total						482,805
Total AHFC Debt		<u>\$ 6,738,420</u>				<u>\$ 2,296,897</u>

*Debt obligations collateralized with mortgage loans and or mortgage backed securities where such collateral levels achieve "Triple A" ratings are included above. Most of the Corporation's long-term debt issues are secured by specific mortgage loans, mortgage backed securities, or investments.

During 1985, FNMA decided that it would enter into additional agreements for purchase of AHFC mortgages only if FNMA would have recourse against AHFC for foreclosed properties. With recourse, AHFC's obligation is to buy back the mortgage loans on the foreclosed properties.

Even with recourse to AHFC, the FNMA guarantee still provides an extra layer of insulation for the State from any obligation on AHFC collateralized debt. In the case of collateralized veterans' bonds, the State's guarantee would not be called upon in the event of default on the bonds prior to a default by FNMA on its guarantee. With respect to any other type of collateralized bond, the State has no obligation to step in should AHFC's assets be insufficient to satisfy any recourse.

AHFC has always been responsible for foreclosure losses on any mortgages supporting GNMA certificates. However, such losses are minimized by the fact that GNMA only guarantees certificates representing pools of mortgages which are FHA insured or VA guaranteed. With the exception of certain mortgage loans, FHLMC does not have recourse against AHFC for losses on foreclosure.

Some bonds of AHFC are subject to bond guaranty insurance. The bond guarantor assures the holder of the debt that interest and principal will be repaid. The effect of the bond guarantee is to provide security in addition to specifically pledged collateral and the pledge of AHFC unrestricted resources.

TABLE 3.3
State Obligations on
Alaska Housing Finance Corporation Debt
\$(thousands)

	outstanding at 6/30/03
State General Obligation Guarantee	
Collateralized Bonds AAA/AAA	\$ 320,440
Total State Obligations On AHFC Debt	320,440

f. Mortgage Reorigination

Mortgage reorigination included in a bond indenture permits AHFC to use payments and prepayments on mortgage loans securing the bond issue to purchase new mortgage loans only to the extent the payments and prepayments are in excess of debt service requirements. The recycling of mortgage loans is also limited by the 10-year rule. Ordinarily, these excess revenues would be used to retire bonds. Reorigination gives AHFC the option of making new loans or retiring bonds.

In conjunction with this provision, the maturity of the bond issue is extended beyond the maturity of the mortgage loans. This allows additional mortgages to be added to the bond issue, which then extends the average mortgage maturities to more closely coincide with bond maturities.

The benefit of mortgage reorigination is that it provides continued access to a pool of funds at a known tax-exempt interest rate. It serves as a hedge against a rise in interest rates or a loss of federal tax-exemption on future bond issues.

In the case of Veterans' Mortgage Program Bonds, which are guaranteed by the State of Alaska, the bond indentures require AHFC to suspend reorigination for a calendar year if it receives written notification from the State Bond Committee prior to January 1 that reorigination would impair the ability of the Committee to sell State general obligation bonds on advantageous terms or risk a rating reduction on such bonds.

The Public Housing Division (formerly Alaska State Housing Authority (ASHA))

In 1992, under Ch. 4, FSSLA 1992, effective July 1, 1992, the Alaska State Housing Authority was abolished and the duties assigned were transferred to the Alaska Housing Finance Corporation. Assets transferred to AHFC totaled \$94.2 million. Liabilities transferred were \$82.8 million, of which \$61 million represented bonds and notes payable. This information is for historical purposes only.

The Alaska State Housing Authority (ASHA), a public corporation of the State, was created in 1949 and authorized to: construct, operate, and manage low and moderate income housing projects; finance rental housing projects; engage in urban renewal programs; and construct and acquire public buildings for lease to the State.

a. Security for Bonds

ASHA had issued bonds which were secured by revenues from the projects financed, by ASHA's general assets, or by pledges of federal grants typically from the U.S. Department of Housing and Urban Development (HUD) for rent supplements on housing projects. The bonds are not general obligations of the State. ASHA was not authorized to issue bonds backed by a capital reserve fund which had the State's moral obligation attached.

b. Bond Authorization

ASHA financing of public building projects for lease to the State required approval by law pursuant to AS 18.55.100(d) which became effective September 4, 1986. Approval by law was not required for other types of ASHA projects or for bond issuance per se.

c. Housing Debt

ASHA had issued debt to finance low and moderate income rental housing. This debt was not considered to be State Supported Debt because the revenue pledged to retire the bonds did not rely on State appropriations.

ASHA's primary responsibility was to provide low income housing to eligible residents throughout the state. ASHA owned and operated subsidized housing programs sponsored by HUD such as Conventional Low Rent, Section 8 New Construction, Turnkey III Remote Housing, Mutual Help, Section 8 Additional Assistance, Section 8 Vouchers, and Section 8 Existing Housing.

d. Collateralized Bond

ASHA had issued FHA Insured Mortgage Revenue Bonds to provide loans to private developers for construction of multi-family rental housing. These were tax-exempt Qualified Private Activity Bonds by virtue of the projects reserving certain percentages of their units for low income tenants.

The FHA Insured Mortgage Revenue Bonds were not general obligations of ASHA but were backed solely by the mortgage payments from the borrower and FHA insurance in the event of the borrower's default. FHA absorbed losses on foreclosure.

The developers of the projects, financed by all but the 1982 and 1983 Series A Bonds, defaulted on their obligations under the mortgage loans by failing to fully pay principal and interest on the due date. The bond trustee applied for and received FHA insurance benefits. The insurance proceeds and bond reserves have been used to defease the bonds secured by the defaulted loans.

The Series A bonds of 1982 and 1983 are rated AAA by Standard & Poor's. The bonds are listed as collateralized debt along with AHFC's debt with similar features.

The following Table 3.4 summarizes all AHFC outstanding debt.

TABLE 3.4
Alaska Housing Finance Corporation
Debt Issued and Outstanding
(Includes the Public Housing Division of AHFC, Formerly ASHA)
\$(thousands)

bond program	Date Delivered	Amount Issued As of 6/30/03	Outstanding at 6/30/03	TIC (%)	final maturity
Home Mortgage Bonds					
1981 First Series	11/24/1981	100,000	-	12.540	2001
1981 Second Series	12/30/1981	100,000	-	11.823	2012
1982 First Series	10/7/1982	85,000	-	11.450	2001
1982 Second Series	12/16/1982	100,000	-	10.550	2000
1983 First Series	9/28/1983	75,000	-	10.386	2010
1983 Second Series	11/9/1983	125,000	-	10.087	2010
1984 Series A, Collateralized	12/18/1984	75,000	-	10.950	2019
1984 Series B, Collateralized	12/18/1984	127,435	-	10.904	2019
1985 Series A, Collateralized	9/12/1985	100,000	-	9.784	2020
1985 Series B, Collateralized	12/18/1985	102,445	-	9.314	2021
1986 Series A, Collateralized	6/25/1986	50,000	-	8.612	2016
1986 Series B, Collateralized	6/25/1986	50,000	-	N/A	2016
1987 Series A, Collateralized	5/28/1987	67,000	-	8.174	2013
1987 Series B, Collateralized	12/2/1987	50,000	-	8.684	2016
1988 Series A-1, Collateralized	2/1/1989	30,000	-	7.820	2015
1988 Series A-2, Collateralized	6/7/1989	30,000	-	7.678	2015
1988 Series A-3, Collateralized	10/4/1989	25,000	-	7.896	2105
1989 Series A-1, Collateralized	5/25/1989	30,000	-	N/A	2016
1989 Series A-2, Collateralized	6/7/1989	30,000	-	N/A	2016
1989 Series A-3, Collateralized	10/4/1989	30,000	-	N/A	2016
1989 Series B-1, Collateralized	4/2/1990	25,000	-	7.813	2024
1989 Series B-2, Collateralized	10/1/1990	25,000	-	8.040	2024
1989 Series B-3, Collateralized	11/29/1989	25,000	-	N/A	2024
1989 Series B-4, Collateralized	11/29/1989	25,000	-	N/A	2024
1989 Series B-5, Collateralized	11/29/1989	25,000	-	N/A	2024
1989 Series B-6, Collateralized	11/29/1989	23,000	-	N/A	2024
1990 Series A, Collateralized	9/25/1990	72,000	-	^7.250	2025
1990 Subseries A-1, Collateralized	7/18/1991	25,000	-	7.295	2025
1990 Subseries A-2, Collateralized	12/12/1991	25,000	-	7.090	2025
1990 Subseries A-3, Collateralized	7/29/1993	30,000	9,425	6.267	2025
1996 Series A Mortgage Revenue Bonds	9/12/1996	159,871	40,876	5.860	2027
1997 Series A Mortgage Revenue Bonds	12/4/1997	159,999	94,320	5.529	2037
1998 Series A, Mortgage Revenue Bonds	6/17/1998	70,000	45,675	5.205	2035
1999 Series A, Mortgage Revenue Bonds	11/17/1999	200,000	163,140	5.978	2031
2000 Series A Mortgage Revenue Bonds	11/14/2000	58,315	28,920	5.929	2040
2000 Series B Mortgage Revenue Bonds	11/14/2000	3,795	3,795	5.929	2015
2000 Series C Mortgage Revenue Bonds	11/14/2000	68,785	56,140	5.929	2032

TABLE 3.4 (Continued)
 Alaska Housing Finance Corporation
 Debt Issued and Outstanding
 (Includes the Public Housing Division of AHFC, Formerly ASHA)
\$(thousands)

2000 Series D Mortgage Revenue Bonds	11/14/2000	25,740	16,010	5.929	2020
2001 Series A Mortgage Revenue Bonds	10/17/2001	32,740	30,245	5.211	2031
2001 Series B Mortgage Revenue Bonds	10/17/2001	104,450	89,575	5.211	2041
2002 Series A Mortgage Revenue Bonds	5/16/2002	170,000	170,000	N/A	2036
2002 Series B Mortgage Revenue Bonds	5/16/2002	30,000	24,255	N/A	2036
Total		<u>2,765,575</u>	<u>772,376</u>		
State Guaranteed Bonds					
1991 First Series, Collateralized	5/30/1991	45,000	1,790	7.288	2033
1991 Sec. Series, Collateralized	11/21/1991	60,000	4,190	6.968	2034
1992 First Series, Collateralized	6/24/1992	45,000	8,400	6.852	2034
1993 First Series, Collateralized	7/13/1993	65,000	7,000	5.776	2035
1994 First Series, Collateralized	9/29/1994	130,000	51,095	6.734	2036
1995 First Series, Collateralized	8/22/1995	30,000	8,460	6.422	2037
1997 First Series, Collateralized	11/19/1997	100,000	37,300	5.546	2039
1998 First Series, Collateralized	6/16/1998	48,405	28,075	5.405	2036
1998 Second Series, Collateralized	6/16/1998	11,595	7,860	5.405	2040
1999 First Series, Collateralized	10/28/1999	110,000	70,015	6.109	2039
2000 First Series, Collateralized	6/14/2000	70,000	51,590	6.319	2039
2002 First Series, Collateralized	4/4/2002	50,000	44,665	5.531	2034
Total		<u>765,000</u>	<u>320,440</u>		
General Mortgage Revenue Bonds					
1997 Series A	4/16/1997	434,911	318,246	6.012	2037
1999 Series A	9/28/1999	302,700	253,030	6.048	2049
2002 Series A	10/15/2002	150,000	150,000	4.798	2040
Total		<u>887,611</u>	<u>721,276</u>		
Housing Development Bonds					
1993 Series A (Non-AMT)(2)	9/23/1993	8,325	6,860	[^] 5.260	2023
1993 Series B (Non-AMT)(2)	9/23/1993	4,890	4,115	[^] 5.296	2023
1993 Series C (AMT)(2)	9/23/1993	1,200	1,020	[^] 5.402	2023
1993 Series D(2)	9/23/1993	4,675	4,070	[^] 6.761	2023
1993 Series E (2)	9/23/1993	12,255	9,550	[^] 6.541	2023
1997 Series A (Non-AMT)(2)	10/23/1997	6,510	6,050	[^] 5.502	2029
1997 Series B (AMT)(2)	10/23/1997	17,000	15,825	[^] 5.598	2029
1997 Series C (Taxable)(2)	10/23/1997	23,895	22,710	[^] 7.413	2029
1999 Series A (Non-AMT)(2)	12/9/1999	1,675	1,600	[^] 6.007	2029
1999 Series B (AMT)(2)	12/9/1999	5,080	4,870	[^] 6.119	2029
1999 Series C (Non-AMT;Governmental Purpose)(2)	12/9/1999	50,000	47,840	[^] 5.925	2029
2000 Series A (AMT)(2)	12/13/2000	20,745	18,715	N/A	2030

TABLE 3.4 (Continued)
 Alaska Housing Finance Corporation
 Debt Issued and Outstanding
 (Includes the Public Housing Division of AHFC, Formerly ASHA)
\$(thousands)

2000 Series B (Non-AMT)(2)	12/13/2000	41,705	41,705	N/A	2030
2002 Series A (AMT)(2)	9/5/2002	8,440	8,375	5.075	2033
2002 Series B (Non-AMT)(2)	9/5/2002	8,690	8,535	5.075	2022
2002 Series C (Non-AMT)(2)	9/5/2002	70,000	69,415	5.075	2032
2002 Series D (Non-AMT)(2)	9/5/2002	37,870	37,580	N/A	2037
Total		<u>322,955</u>	<u>308,835</u>		
Government Purpose Bonds					
1995 Series A	11/15/1995	335,000	156,095	6.000	2030
1997 Series A	12/3/1997	33,000	29,800	N/A	2027
2001 Series A	8/2/2001	76,580	73,920	N/A	2030
2001 Series B	8/2/2001	93,590	90,330	N/A	2030
2001 Series C (taxable)	8/2/2001	100,000	98,900	N/A	2032
2001 Series D (taxable)	8/2/2001	100,000	63,560	N/A	2032
Total		<u>738,170</u>	<u>512,605</u>		
State Capital Project Bonds					
1999 Series A	1/21/1999	92,365	36,540	3.880	2005
1999 Series B	12/14/1999	103,980	53,630	4.689	2005
2001 Series A	2/8/2001	74,535	64,610	3.980	2007
2002 Series A	12/5/2002	32,905	32,905	N/A	2012
2002 Series B	12/5/2002	14,555	14,555	N/A	2024
2002 Series C	12/5/2002	60,250	60,250	N/A	2022
Total		<u>378,590</u>	<u>262,490</u>		
State Building Lease Bonds					
Series 1999	12/15/1999	40,000	34,185	5.551	2017
Total		<u>40,000</u>	<u>34,185</u>		
General Housing Purpose Bonds					
1992 Series A	10/22/1992	200,000	31,825	6.405	2023
1994 Series A	2/23/1994	143,815	139,095	5.439	2023
Total		<u>343,815</u>	<u>170,920</u>		
AHFC Conduit Debt					
Chinook Apartments 1996 Series A (Non-AMT)	8/6/1996	2,300	2,020	6.404	2024
Coho Park Apartments 1996 Series B (AMT)	8/6/1996	2,300	2,225	6.423	2023
Coho Park Apartments 1996 Series C (Taxable)	8/6/1996	455	-	N/A	2002
Total		<u>5,055</u>	<u>4,245</u>		

TABLE 3.4 (Continued)
 Alaska Housing Finance Corporation
 Debt Issued and Outstanding
 (Includes the Public Housing Division of AHFC, Formerly ASHA)
\$(thousands)

Total Long Term Debt					
Excluding Public Housing Division Debt		6,246,771	3,107,372		
AHFC-Public Housing Division (Former ASHA) Debt					
Section 8/New Construction & Wrangell Debt					
FFB Notes					
Wrangell 221 (d)3 Indebtedness	9/1/1967	667	112	N/A	2007
Wrangell -Flexible Subsidy	7/1/1997	<u>495</u>	<u>495</u>	N/A	2007
	Total	<u>1,162</u>	<u>607</u>		
Total Public Housing Debt		<u>1,162</u>	<u>607</u>		
Total AHFC Long-term Debt		<u>6,247,933</u>	<u>3,107,979</u>		
Short-term Debt Outstanding					
Commercial Paper	Various	N/A	150,000	NA	VAR
Total Short-term Debt		\$ -	\$ 150,000		

Notes:

1 Collateral for these issues consists of AHFC Real Estate Owned Properties.

2 Multifamily bond issues.

* Stated interest rate.

4. Alaska Industrial Development and Export Authority

The Alaska Industrial Development and Export Authority (AIDEA) is a public corporation administratively located in the Department of Community and Economic Development but with separate and independent legal existence. Created in 1967, AIDEA promotes economic development within the State by:

- providing loans for industrial and commercial projects;
- owning and operating certain types of infrastructure facilities; and
- guaranteeing business loans and loans for export transactions.

The State's moral obligation stands behind the capital reserve funds that secure certain bonds issued by AIDEA. However, since 1990, and in the future, bonds sold, other than refunding bonds that refund bonds with existing moral obligation capital reserve funds, are the general obligation of AIDEA and any capital reserve fund does not have the moral obligation of the State of Alaska, unless specifically provided by legislation.

The Authority has covenanted that it will not incur any General Obligation indebtedness causing future estimated net income (as defined in the bond resolution) to be less than 150 percent of the General Obligation Annual Debt Service requirements in each year and to take no action to cause its Unrestricted Surplus to be less than the lesser of \$200 million or the amount of General Obligation Indebtedness outstanding and in no event less than \$100 million. The full faith and credit of the Authority secure the bonds currently outstanding and certain bonds maintain the State's moral obligation, attached to a Capital Reserve Fund.

During 1988, reductions in the cash flow from AIDEA's loan portfolio reduced projected debt service coverage below 150 percent. The reduced cash flow stemmed from loan delinquencies, modifications, and foreclosures associated with Alaska's economic recession. In response to the declining debt service coverage, AIDEA defeased \$78,295,000 of its Economic Development Bonds and Consolidated Bonds by deposit of \$91,269,000 of U.S. Treasury securities purchased with AIDEA's general assets into an irrevocable trust. None of the defeased bonds remain outstanding.

During 1994, AIDEA defeased \$23,840,000 of its tax-exempt Umbrella Bonds and its Taxable Umbrella Bonds, in order to improve its projected debt service coverage. None of the bonds chosen for the defeasance would have been eligible for refunding. None of the defeased bonds remain outstanding. AIDEA bonds are rated A2 by Moody's and A- by Standard & Poor's, excluding bonds that are credit enhanced. Standard and Poor's rates the bonds with a state moral obligation on a capital reserve fund as A.

AIDEA currently offers six programs as follows:

i. Tax-Exempt Loan Participation Program

The Tax-Exempt Loan Participation Program can provide up to \$10 million for financing economic development projects. This program in the past has been referred to as the "tax-exempt umbrella bond program" because many small projects financed under this program were grouped together when AIDEA issued bonds under an "umbrella". The bonds are tax-exempt by virtue of provisions in the federal tax code.

AIDEA does not directly loan money. Proceeds of the bonds or authority funds are used to purchase up to 80 percent of an eligible loan from financial institutions. The Tax-Exempt Loan Participation Program combines the Economic Development and Consolidated Bond Programs that were previously separate and which financed participation under and over \$1,000,000, respectively. As of June 30, 2003, AIDEA had issued \$292,920,000 of Tax-Exempt Bonds (excluding refunding bonds) to fund loan participation purchases, of which \$5,155,000 were outstanding (including refunding bonds). Two of the Three Tax-Exempt bond issues currently outstanding have a capital reserve fund with the State's moral obligation attached.

ii. Taxable Loan Participation Program

In response to escalating federal restrictions on tax-exempt bonds, AIDEA implemented a taxable loan participation program. The program uses bonds or AIDEA funds to purchase loan participations. The provisions of the program are the same as for the Tax-Exempt Loan Participation Program except for the deletion of restrictions related to federal tax-exemption. This program was previously called the Taxable Umbrella Bonds Program. The only bonds that have been issued under this program were issued in 1987 in the amount of \$14,540,000; the remaining amounts outstanding were defeased during 1994. None of the defeased bonds remain outstanding.

iii. Revenue Bond Program

Under the Revenue Bond program, AIDEA acts as a conduit in the sale and issuance of bonds on behalf of private borrowers who secure the bonds. The bonds generally are sold by private placement to the financial institution originating the loan rather than by public sale to the highest bidder. Part of the demand for the program arose from lenders who desired the tax exemption on the interest income. The elimination by the Tax Reform Act of 1986 of deductibility of bank interest expense allocable to holdings of tax-exempt obligations has greatly reduced demand for this program.

AIDEA does not participate financially in the Revenue Bond projects nor are the Authority's assets or credit pledged as security for the bonds. Bonds issued under this program are not obligations of the Authority or the State. They are obligations of the private borrower only. Furthermore, the State's moral obligation does not stand behind these bonds.

Most bonds under this program are tax-exempt by virtue of the small issue exemption and, more recently, for qualified 501(c)(3) projects. A few have been exempt facility bonds. From inception to June 30, 2003, AIDEA has issued Revenue Bonds for 301 projects totaling \$773.2 million. The Authority is authorized to issue revenue bonds to finance the continuation of power transmission interties to be owned by electric utilities in a collective amount not to exceed \$185.0 million.

iv. Development Finance Program

Alaska statutes authorize AIDEA to finance development projects that it intends to own and operate. The types of facilities the Authority may own or operate must be for use in manufacturing, natural resource extraction, transportation of products or materials, or infrastructure for tourism destination facilities.

Bonds for projects to be owned or operated by AIDEA may be secured by the project, project revenues, specific assets of AIDEA's economic development account, or AIDEA's general assets. They can be general obligations or revenue bonds of the Authority.

Legislation enacted in 1985 authorized this program and authorized a bond sale of up to \$175.0 million to provide financing for the DeLong Mountain Transportation Project. The project consists of a road and port owned and operated by AIDEA to facilitate the development of the Red Dog and other mines in Northwest Alaska. \$103.3 million of such bonds were issued during 1987; the remaining amount outstanding was redeemed in 1997.

The Legislature has enacted legislation authorizing the Authority to finance, design and construct or reconstruct additional Economic Development projects:

- (a) The Legislature authorized the issuance of up to \$25.0 million of bonds for the reconstruction of a public use ore terminal in Skagway, Alaska. A \$25.0 million bond issue was delivered in December 1990. All remaining outstanding bonds were called in April 2002.
- (b) The Legislature authorized the issuance of up to \$10.0 million of bonds for improvements to the City of Unalaska Marine Center. The project was completed in late 1991. \$7.0 million of bonds were issued in December 1991 to finance the project. In May 2000 the City of Unalaska paid all remaining financial obligations related to the project, including providing for the retirement of all outstanding bonds and, in accordance with the terms of the agreement, the project was transferred to the City.
- (c) The Legislature authorized the issuance of up to \$85.0 million of bonds to finance the acquisition, design and construction of aircraft maintenance and air cargo/air transport support facilities located at the Anchorage International Airport. Construction of an aircraft maintenance facility began in August of 1992 and was completed in 1995. Bonds were issued in September, 1992 in the amount of \$28.0 million.

In June 2002, the Authority issued \$20,475,000 of refunding bonds for the purposes of refunding and defeasing the remaining outstanding bonds. The refunded bonds were called in July 2002.

- (d) AIDEA has \$55.0 million of remaining authorization (from the original \$85.0 million authorization discussed above) to issue bonds to finance the acquisition, design, construction and equipping of a hangar to be located at the Anchorage International Airport.
- (e) In fiscal year 1991, the Authority received a \$25.0 million appropriation made by the 1990 Legislature, received a grant authorization from the U.S. Department of Energy and was authorized by the 1990 Legislature to issue up to \$85.0 million of bonds to assist in the financing of a coal fired power plant

near Healy, Alaska. On July 18, 1996, \$85.0 of Variable Rate Revolving Fund Bonds were issued, without the moral obligation of the State, to finance a portion of the Healy Clean Coal Project. In May 1998, \$85.0 million of bonds were issued to refund the variable rate revolving fund bonds and are outstanding in the amount of \$75.4 million at June 30, 2003, with no State moral obligation attached.

- (f) The 1993 Legislature enacted legislation authorizing the Authority to issue bonds not to exceed \$50.0 million for a facility to be constructed in Anchorage for the offloading, processing, storage and transloading of seafood. The Authority purchased the Alaska Seafood Center in September 1999 and no bond issuance is anticipated.
- (g) The 1993 Legislature also enacted legislation authorizing the Authority to issue bonds not to exceed \$50.0 million for a bulk commodity loading and shipping terminal to be located at Point MacKenzie and owned by AIDEA. The 1996 Legislature modified this legislation to require that the facility be located within Cook Inlet.
- (h) The 1995 Legislature authorized the Authority to issue up to \$20.0 million of bonds to finance the acquisition, design and construction of the Kodiak rocket launch complex and tracking station and the Fairbanks satellite ground station space park. The Authority does not currently anticipate that it will participate in financing the projects.
- (i) The 1996 Legislature authorized the Authority to issue up to \$85.0 million of bonds to finance the expansion, improvement and modification of the existing port facilities owned by the Authority with respect to the DeLong Mountain Transportation Project. In 1997 the Authority issued \$150.0 million of Revolving Fund Bonds which included \$70.0 million for that purpose and \$80.0 million for the purpose of redeeming the 1987 DeLong Mountain Transportation Project Revenue Bonds. At June 30, 2003, bonds totaling \$128.0 million were outstanding, with no State moral obligation attached.
- (j) The 1996 Legislature authorized the issuance of up to \$100.0 million of bonds for the acquisition of the Snettisham hydroelectric project from the Alaska Power Administration. On August 19, 1998 AIDEA issued \$100 million of tax-exempt revenue bonds to finance the acquisition of the project. There is no State moral obligation attached. In December 1999 the Authority defeased \$6,865,000 of the bonds using funds on hand (6,560,000 of the defeased bonds were outstanding at June 30, 2003). At June 30, 2003 \$89.0 million (excluding the defeased bonds) were outstanding.
- (k) The 1998 Legislature authorized the issuance of bonds(or other financing) up to: a) \$80.0 million to finance the expansion, improvement, and modification of the existing Red Dog Project port facilities and to finance the construction of new related facilities to be owned by AIDEA; b) \$30.0 million to finance the improvement and expansion of the Nome port facilities to be owned by AIDEA; c) \$28.0 million to finance development of a railroad right-of-way within a railroad and utility corridor from near Healy to the eastern boundary of Denali National Park; and d) \$15.0 million to finance phase one construction and improvement of the proposed Hatcher Pass Ski Resort.

v. Business and Export Assistance Program

The Business and Export Assistance Program (Guarantee Program) was authorized by the 1998 Legislature by merging the Business Assistance Program and the Export Assistance Program, authorized in 1988 and 1987, respectively. AIDEA's goal under the Guarantee Program is to encourage projects that help diversify Alaska's economy and provide or retain jobs for Alaskans. The Guarantee Program provides a guarantee up to 80% of the principal balance, not to exceed \$1 million, to the financial institution who made the loan. The guarantee also covers accrued interest on loans.

vi. Rural Development Initiative Fund (RDIF)

The RDIF is a loan program designed to create job opportunities in rural Alaska by providing small businesses with capital that may not be available through conventional markets. This program provides loans for working capital, equipment, or construction. To be eligible for a loan under this program, the business must be Alaskan-

owned and located in a community with a population of 5,000 or less that is not connected by road or rail to Anchorage or Fairbanks. The Department on Community and Economic Development, Division of Investment, administers the RDIF for AIDEA.

a. Bond Authorization

AS 44.88.095 places a statutory ceiling of \$400 million per twelve month period on AIDEA bond issuances. AS 44.88.095(g) requires legislative approval for any bonds to be issued in an amount greater than \$10 million in connection with any project to be owned by the Authority.

b. Federal Tax-Exemption and Ceilings

Most of the types of tax-exempt bonds issued by AIDEA became subject to a federal Private Activity Bond (PAB) ceiling of \$200 million per year in 1984. Effective August 15, 1986, a new ceiling was established by the Tax Reform Act of 1986 (the "Act") at the level of \$250 million for the remainder of 1986, \$250 million for 1987, and \$150 million per year thereafter. Pursuant to the Act and an Executive Proclamation issued by the Governor on November 24, 1986, half of the 1986 PAB ceiling was allocated to AIDEA and half to AHFC. The new ceiling encompasses not only the types of bonds issued by AIDEA (exempt facility and qualified small issue bonds), but also qualified mortgage bonds (a type issued by AHFC), student loan bonds, and certain other kinds of tax-exempt bonds.

There are important exemptions to the PAB ceiling, specifically airports, docks, and wharves if the facilities are owned by a governmental unit. AIDEA is a governmental unit for this purpose.

The PAB ceiling was increased to \$187.5 million in 2001, to \$225 million in 2002, and \$228.6 million in 2003.

c. Debt Issued and Outstanding

AIDEA has issued \$957.7 million of bonds with \$316.4 million outstanding as shown in Tables 3.5—3.6.

TABLE 3.5
Alaska Industrial Development and Export Authority
Type of Debt Issued
\$(thousands)

calendar year	economic development bonds	consolidated bonds	umbrella bonds	taxable umbrella bonds	development bonds	revolving fund bonds
1981	\$ 75,145	-	-	-	-	-
1982	11,660	\$ 14,520	-	-	-	-
1983	28,380	33,815	-	-	-	-
1984	26,240	12,140	\$12,200	-	-	-
1985	-	-	56,700	-	-	-
1986	-	-	14,100	-	-	-
1987	-	-	-	\$14,540	\$103,250	-
1988	-	-	-	-	-	-
1989	-	-	-	-	-	-
1990	-	-	-	-	-	\$ 25,000
1991	-	-	-	-	-	7,000
1992	-	-	-	-	-	28,000
1993	-	-	-	-	-	25,265
1994	-	-	-	-	-	11,435
1995	-	-	-	-	-	17,845
1996	-	-	-	-	-	85,000
1997	-	-	-	-	-	150,000
1998	-	-	-	-	100,000	85,000
1999	-	-	-	-	-	-
2000	-	-	-	-	-	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	20,475
2003	-	-	-	-	-	-
Total	\$ 141,425	\$ 60,475	\$83,000	\$14,540	\$203,250	\$455,020

TABLE 3.6
Alaska Industrial Development and Export Authority
Debt Issued and Outstanding
\$(thousands)

	date	amount issued	outstanding at 6/30/03
Development bonds			
Power Revenue Bonds, First Series (Snettisham Hydroelectric Project)	8/18/1998	100,000	88,960
Total		<u>100,000</u>	<u>88,960</u>
Revolving fund bonds			
Refunding	3/30/1994	11,435	1,655
Series B (Refunding)	5/17/1995	9,825	1,655
Series A	5/17/1995	8,020	1,845
Healy Clean Coal Project	7/18/1996	85,000	-
Red Dog Port Facility Expansion and Refunding	3/27/1997	150,000	128,015
Healy Clean Coal Project (Refunding)	5/14/1998	85,000	75,385
Federal Express Maintenance Facility (Refunding)	6/20/2002	20,475	18,930
Total		<u>369,755</u>	<u>227,485</u>
Total Bonds		<u>\$ 469,755</u>	<u>\$ 316,445</u>

Source: Annual Report and Financial Statements, various years, Alaska Industrial Development and Export Authority.

C. Alaska Medical Facility Authority

The Alaska Medical Facility Authority is a public authority administratively located in the Department of Revenue with separate and independent legal existence. The Authority was created by the Legislature in 1978 to finance construction and improvements to medical facilities in the State. They are secured by lease payments on medical facilities mortgaged to the Authority. Bonds of the Authority do not require approval by law.

The authority issued two bonds. The first was \$12.0 million First Mortgage Hospital Revenue Bonds, Series 1979 issued for improvements to Fairbanks Memorial Hospital. The bonds were rated Baa1/BBB-. The second issue of \$2.1 million Alaska Medical Facility Authority Revenue Bond Series 1983 financed the purchase of Careage North by the Greater Fairbanks Community Hospital Foundation. The bonds were privately placed with the seller and not rated.

The Series 1983 bonds were redeemed on June 22, 1989. The Series 1979 bonds were redeemed on March 1, 1990. The Authority has no bonds currently outstanding.

D. Alaska Municipal Bond Bank

The Alaska Municipal Bond Bank (Bond Bank) was created as a public corporation by the State in 1975 for the purpose of lending money to Alaska's governmental units for their capital projects. The Bond Bank is empowered to issue bonds, the proceeds of which are used to purchase bonds, notes or certificates of participation of State municipalities. Most of the Bond Bank bonds maintain a Capital Reserve Fund with the State's moral obligation attached. As of June 30, 2003 the total principal amount of outstanding bonds and notes of the Bond Bank was \$266,515,878. Of this total amount outstanding, \$182,225,000 represents general obligation bonds, \$73,255,000 represents revenue bonds, and \$11,035,878 represents notes issued under the Coastal Energy Loan Program. General obligation and revenue bonds are serviced by the Bond Bank and are secured, in part, by past State appropriations to the Bond Bank, certain revenue streams of the municipality

borrowing the proceeds, and additional moneys of the Bond Bank placed in a statutory capital reserve fund. The Bond Bank is covenanted to notify the State legislature of any failure to maintain the capital reserve fund at their required levels. The State legislature may appropriate funds to the Bond Bank to restore capital reserve funds to required amounts. (See "Moral Obligation Debt"). The Coastal Energy Loan Program notes do not have a claim on any capital reserve funds of the Bond Bank and are payable solely from the payments of the municipalities participating in the Program.

On May 22, 1997 the Bond Bank Board approved a proposal that staff support, office space and administrative service would be provided to the Bond Bank by the Alaska Department of Revenue, Treasury Division (DOR) effective July 1, 1997. An agreement between the Bond Bank and the DOR was finalized on August 29, 1997.

a. Advantages to Municipalities

The advantages to Alaska's municipalities of using the Bond Bank are several. Interest rates are lower because of the additional security achieved through the structure of the Bond Bank as well as the diversification of risk achieved by pooling municipal bond issues through the Bond Bank. The Bond Bank's general obligation program is currently rated A by Standard and Poor's and A2 by Moody's Investor Service; while the revenue program is rated A by Standard and Poor's and A by Fitch Ratings. These are higher ratings than most of Alaska's municipalities can achieve independently. The Bond Bank, carrying the Alaska State name and being a more frequent issuer, is better known than many of Alaska's smaller units of government. This enhances the marketability of the bonds to investors nationally.

b. Municipal Debt Purchased

The Bond Bank has assisted 39 of Alaska's municipalities obtain financing for capital projects. These communities are geographically distributed throughout Alaska and represent virtually all sectors of the State's economy.

TABLE 3.7
Alaska Municipal Bond Bank
June 30, 2003 General Obligation Bond
Outstanding Loans to Municipalities
\$(thousands)

government unit	Outstanding Loan Amount	Percentage of Total
Northwest Arctic Borough	\$ 46,115	25.31%
City of Wasilla	18,635	10.23%
Kenai Peninsula Borough	17,874	9.81%
City of Sitka	14,185	7.78%
City of Seward	9,680	5.31%
City of Ketchikan	9,645	5.29%
Ketchikan Gateway Borough	9,000	4.94%
Reserve Obligations	7,163	3.93%
Aleutians East Borough	7,220	3.96%
City of Fairbanks	6,100	3.35%
Lake and Peninsula Bor.	5,579	3.06%
Kodiak Island Borough	5,325	2.92%
City of Unalaska	4,560	2.50%
City of Petersburg	3,440	1.89%
City of Nome	2,950	1.62%
City of Cordova	2,905	1.59%
City of Wrangell	2,624	1.44%
City of Homer	2,095	1.15%
City of Palmer	1,515	0.83%
City of Soldotna	1,400	0.77%
City of Haines	1,185	0.65%
City of Craig	1,080	0.59%
City of Kaktovik	555	0.30%
City & Borough of Yakutat	505	0.28%
City of Hoonah	345	0.19%
City of Kenai	300	0.16%
Fairbanks North Star Borough	245	0.13%
Total	\$ 182,225	100.00%

Source: Alaska Municipal Bond Bank

c. Security for Bonds

Municipal general obligation bonds are usually issued to finance facilities that do not generate revenue, such as schools, roads, public safety and municipal buildings. They are issued with the approval of the municipal voters and are secured by the full faith and credit of the municipality. Municipalities within the State of Alaska have no taxing limitations for debt service requirements.

The Bond Bank's mainstream program was created in 1976 by its General Bond Resolution (issuance of Bond Bank General Obligation Bonds). A total of 65 general obligation bond series have been issued in order to secure funds to purchase \$484.0 million in municipal debt.

Bonds issued by the Bond Bank to purchase municipal general obligation bonds are secured by:

- Full faith and credit of each respective community with no taxing limitation for the general bonded debt issued to the Bond Bank.

- The debt service reserve fund under the bond resolution for that issue of Bond Bank bonds. The reserve fund generally is funded in an amount equal to maximum annual debt service on the Bond Bank bonds.
- The statutory Bond Bank reserve fund monies available and not pledged to bond issues, which may be used to restore the debt service reserve fund under the bond resolution to an amount equal to maximum annual debt service to the Bond Bank bonds.
- The statutory right of the Bond Bank, in the event of default, to demand and receive from a State agency any funds held by that agency which are payable to the defaulting municipality.
- The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels.

d. Bond Authorization

The Bond Bank may not issue in excess of \$75 million in revenue bonds during any fiscal year without legislative approval.

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank bonds outstanding at any time to \$150 million. This statute was amended in 1983, 1984, and 2003 to raise the limit to \$200 million, \$300 million, and 500 million respectively. Total Bond Bank bonds and notes outstanding as of June 30, 2003, were \$266.5 million. Thus, the limit on additional bond issuance at that time was \$233.5 million.

e. Bonds Issued and Outstanding

The types of Bond Bank Bonds issued and outstanding are summarized in Table 3.8.

TABLE 3.8
Alaska Municipal Bond Bank
Summary of Bonds Types Issued and Outstanding
\$(thousands)

type	amount issued	outstanding at 6/30/03
General Obligation Bonds	\$ 483,950	\$ 182,225
Revenue Bonds	138,565	73,255
Coastal Energy Bonds	21,348	-
Coastal Energy Loan Fund	20,525	11,036
	<u>\$ 664,388</u>	<u>\$ 266,516</u>

The Coastal Energy Reserve and Loan Bonds do not have the State's moral obligation attached. All Bond Bank general obligation and revenue bonds do.

Under the Coastal Energy Loan Fund, the Bond Bank issued \$5.0 million 1986 Series A Coastal Energy Bonds payable to the National Oceanic and Atmospheric Administration (NOAA). The proceeds of these bonds were used to purchase port revenue bonds from the City of Nome.

The 1986 Series A Bonds are not general obligations of the Bond Bank and are payable only from bond proceeds received from the City of Nome.

A complete listing of debt issued by the Bond Bank and outstanding is found in Table 3.9.

TABLE 3.9
Alaska Municipal Bond Bank
Debt Issued and Outstanding
\$(thousands)

	date	amount issued	outstanding at 6/30/03
1976 General Resolution General Obligation Bonds			
1992 Series B	6/1/1992	2,170	930
1993 Series A - First Issue	7/8/1993	22,590	3,100
1993 Series A - Second Issue	7/8/1993	2,690	695
1993 Series A - Third Issue	7/8/1993	13,720	3,735
1993 Series B	8/1/1993	3,000	370
1993 Series C	8/1/1993	1,000	100
1994 Series A	4/1/1994	3,640	445
1995 Series A	5/1/1995	13,975	6,240
1995 Series B	6/1/1995	1,500	1,080
1995 Series C	10/1/1995	5,110	2,165
1995 Series D	12/1/1995	1,985	1,515
1996 Series A	2/1/1996	5,000	1,745
1996 Series B	9/1/1996	7,705	6,525
1997 Series A	2/1/1997	1,605	735
1997 Series B	10/1/1997	12,185	9,620
1998 Series A	4/1/1998	7,950	7,225
1998 Series B	12/1/1998	3,715	2,690
1999 Series A	4/1/1999	13,385	11,315
2000 Series A	3/1/2000	9,805	8,715
2000 Series B	5/15/2000	10,730	9,675
2000 Series C	8/1/2000	21,645	21,180
2000 Series D	10/1/2000	1,800	1,695
2000 Series E	11/15/2000	16,390	13,775
2000 Series F	11/15/2000	1,175	1,010
2001 Series A	8/1/2001	15,475	15,385
2001 Series B	10/15/2001	3,835	3,725
2002 Series A	5/1/2002	15,445	14,615
2002 Series B	8/15/2002	11,590	11,590
2003 Series A	2/12/2003	9,305	9,305
2003 Series B	4/8/2003	3,075	3,075
2003 Series C	5/22/2003	8,250	8,250
Total		251,445	182,225
Total General Obligation Bonds		251,445	182,225
Revenue Bonds			
1980 Series A Revenue Bond	5/1/1980	410	-
1982 General Resolution Revenue Bonds			
1982 Series A	4/15/1982	4,440	(defeased)
1985 Series A	2/1/1985	9,405	(defeased)
1986 Series A (Refunding Bonds)	12/1/1986	10,850	-

TABLE 3.9 (Continued)
Alaska Municipal Bond Bank
Debt Issued and Outstanding
\$(thousands)

1987 Series A Revenue Bonds	3/1/1987	15,030	-
1988 Revenue Bonds	10/1/1988	4,500	-
1989 Series A Revenue Bonds	5/1/1989	2,550	-
1990 Series A Revenue Bonds	9/1/1990	1,195	815
1993 Series A Revenue Bonds	6/15/1993	7,695	2,800
1993 Series B Revenue Bonds	1/1/1994	2,500	1,215
1993 Series C Revenue Bonds	1/1/1994	3,325	460
1995 Series A Revenue Bonds	6/1/1995	3,225	2,585
1997 Series A Revenue Bonds	10/1/1997	15,225	15,225
1998 Series A Revenue Bonds	12/1/1998	13,210	7,405
1998 Series B Revenue Bonds	12/1/1998	2,525	1,620
1999 Series A Revenue Bonds	12/1/1999	1,865	1,800
2000 Series A Revenue Bonds	5/1/2000	2,430	1,285
2000 Series B Revenue Bonds	12/1/2000	3,000	2,910
2001 Series A Revenue Bonds	8/1/2001	1,725	1,700
2001 Series B Revenue Bonds	8/1/2001	2,525	2,500
2002 Series A Revenue Bonds	12/1/2002	6,250	6,250
2003 Series A Revenue Bonds	3/1/2003	5,685	5,685
2003 Series B Revenue Bonds	5/15/2003	19,000	19,000
Total		<u>138,565</u>	<u>73,255</u>
Coastal Energy Reserve Bonds			
1979 Series A	7/1/1979	3,755	-
Bond Issued to Federal Government	N/A	3,755 *	-
Total		<u>3,755</u>	<u>-</u>
Coastal Energy Bonds			
Municipality of Anchorage			
Sewer Bonds, Series A	FY 82	1,725	-
Sewer Bonds, Series B	FY 82	3,160	-
General Purpose Bond	FY 82	2,940	-
Water Revenue Refunding Bonds	FY 82	2,142	-
Electric Revenue Bond	FY 82	7,626	-
Total		<u>17,593</u>	<u>-</u>
Coastal Energy Loan Fund			
City of Seward	FY 81	1,700	-
Kenai Peninsula Borough (CHD)	FY 81	6,762	-
City of Nome			
Sewer Bonds	FY 85	500	-
Port Authority	FY 86	5,000	5,000
City of St. Paul			
Fuel Tank Farm	FY 88	6,563	6,036
		<u>20,525</u>	<u>11,036</u>
Total Alaska Municipal Bond Bank Debt		<u>\$ 431,883</u>	<u>\$ 266,516</u>

* Bond Issued to Federal Government - Not included in total amount

Source: Alaska Municipal Bond Bank Authority

E. Alaska Railroad Corporation

Legislation signed into law during 1984 established the Alaska Railroad Corporation as a public corporation of the State to manage the Alaska Railroad upon its acquisition from the Federal Government until its possible transfer to private ownership. The corporation is administratively placed within the Department of Commerce and Economic Development. The corporation has the power to issue bonds if such issuance is approved by law. Bonds issued by the corporation would not bear the full faith and credit of the State. The Railroad is not authorized to issue State moral obligation bonds.

By Chapter 77, SLA 1994, the Railroad is authorized to issue revenue bonds in the principal amount of \$55.0 million for the construction and acquisition of the Alaska Discovery Center for the Ship Creek Project in Anchorage.

F. Alaska Student Loan Corporation

Chapter 92, SLA 1987 created the Alaska Student Loan Corporation (ASLC), a public corporation administratively lodged in the Department of Education and Early Development but with a separate and independent legal existence. The Corporation's purpose is to improve higher educational opportunities for State residents, through the financing of student loans. The Corporation is authorized to issue no more than \$200 million in bonds during any two consecutive fiscal years unless a greater amount is approved by law. The security for the bonds consists of student loans and other assets of the Corporation. The ASLC also may use the State's moral obligation to secure its bonds. The bonds are not general obligations of the State.

Bonds issued by the ASLC are tax-exempt but subject to the Private Activity Bond (PAB) ceiling established by the Tax Reform Act of 1986. In calendar year 2002 the PAB ceiling for the State was \$225 million, and in \$228.6 million in 2003. The allocation of PAB is subject to approval by the State Bond Committee.

Total bonds outstanding as of June 30, 2003 were \$479.6 million as shown in Table 4.0. Except for the 1993 and 2002 bonds, all bonds issued to date are insured and have AAA/Aaa ratings from Standard & Poor's and Moody's respectively.

TABLE 4.0
Alaska Student Loan Corporation
Debt Issued and Outstanding
\$(thousands)

Student Loan Revenue Bonds	date	amount issued	outstanding at 6/30/03	final maturity
1993 Series A	7/13/1993	43,400	20,495	7/1/2006
1994 Series A	7/14/1994	50,000	23,740	7/1/2007
1995 Series A	8/3/1995	55,000	35,470	7/1/2008
1996 Series A	6/18/1996	38,000	33,500	7/1/2012
1997 Series A	6/18/1997	75,000	75,000	7/1/2014
1998 Series A	6/30/1998	88,570	70,000	7/1/2015
1999 Series A	6/23/1999	40,000	38,500	7/1/2016
2000 Series A	6/21/2000	40,000	40,000	7/1/2017
2001 Series A	6/28/2001	33,345	33,345	7/1/2010
2002 Series A	6/4/2002	42,500	47,500	6/1/2037
2002 Series B	6/4/2002	15,000	15,000	6/1/2037
2003 Series A-1	6/5/2003	16,500	16,500	6/1/2016
2003 Series A-2	6/5/2003	30,500	30,500	6/1/2038
		<u>\$567,815</u>	<u>\$479,550</u>	

Source: Official Statements, Alaska Student Loan Corp.

G. University of Alaska

In addition to the State issuing general obligation bonds to finance University related projects, the University issues notes and bonds for specific University purposes, some of which are secured by project revenues or University general revenues. Facilities that have been financed include the Anchorage, and Fairbanks student centers, student housing units for Anchorage, Fairbanks Juneau research facilities, student recreation centers, and the Fairbanks utility system. Capital assets, net of depreciation and debt amounted to \$602.3 million at June 30, 2003.

The University issued Housing System Bonds for housing and food service facility needs during the 1960's and early 1970's. Between 1960 and 1991, University of Alaska Heating Corporation issued bonds secured by lease payments made by the University from general fund appropriations. All of these bonds have been either repaid over time or defeased through issuance of University of Alaska General Revenue Bonds.

General Revenue Bonds Series A, B, C, E, F, G, H, I, J, and K are secured by a pledge of unrestricted current fund revenues generated from tuition, fees, recovery of indirect costs, sales and services to educational departments, miscellaneous receipts and auxiliaries. University general revenue bond debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges.

Standard & Poor first assigned a credit rating of AA- to the University revenue bonds in November of 1992. In December 1993, Moody's assigned a rating of A1. In June 1997, both rating agencies affirmed the earlier ratings and added "stable outlook" to those ratings. These ratings were most recently reaffirmed in November 2003. These ratings are lower than the State's General Obligation Bonds due to the lesser security of University general revenues, a relatively small unrestricted endowment in relation to its operating budget, and the University's heavy dependence upon State appropriation. The funded trustee-held debt service reserve requirement for general revenue bonds is approximately one half of peak annual debt service. Installment Contracts and Notes Payable have no such requirement.

Total debt issued by the University and outstanding is summarized on Table 4.1.

TABLE 4.1
University of Alaska
Debt Issued and Outstanding
\$(thousands)

	date	amount	interest to		final	maturity
			maturity			
Revenue Bonds						
1992 Series E	12/1/1992	4,865	155	5	160	10/1/2003
1993 Series F	12/10/1993	7,090	2,590	331	2,921	8/15/2007
1997 Series G	6/1/1997	10,000	9,365	5,897	15,262	10/1/2022
1998 Series H	12/17/1998	9,820	9,820	6,315	16,135	10/1/2023
1999 Series J	4/27/1999	14,295	13,090	4,128	17,218	10/1/2017
2002 Series K	7/31/2002	33,515	33,445	22,138	55,583	10/1/2028
Total		79,585	68,465	38,814	107,279	
Installment Contracts	varies	425	662	43	705	
Notes Payable						
Alaska Housing Corp	5/14/1997	33,000	28,831	7,568	36,399	2/1/2024
University Lake Property	4/30/1997	2,750	2,357	1,292	3,649	5/1/2022
Total		35,750	31,188	8,860	40,048	
Total University Debt		\$ 115,760	\$ 100,315	\$ 47,717	\$ 148,032	

Source: University of Alaska

H. Municipal Debt

1. General Obligation Bonds

Alaskan municipalities had approximately \$1.9 billion in general obligation debt outstanding at the end of June, 2003. While there has been an increase of roughly \$200 million in Alaska municipalities' general obligation debt over the last five years, there has been a long term decrease from the peak of almost \$2.4 billion in 1986.

High levels of State appropriations for municipal capital projects beginning in FY 1981 depressed municipal bond issuance for most purposes. However, liberalization in FY 1978 of State reimbursement of municipal school debt to 80 percent or higher from a previous 50 percent greatly stimulated issuance for school construction. The other major element of municipal G.O. debt has been the capital construction program of the North Slope Borough. More recently several municipal school debt reimbursement authorizations at the 70% level, including a current authorization through 2005, have again stimulated borrowing at the local level.

When State reimbursement is netted out of municipal school debt, it becomes apparent that many Alaska municipalities have substantial debt capacity based on comparisons to national debt ratios.

The following Table 4.2 summarizes municipal debt outstanding 1975-2001.

TABLE 4.2
Municipal General Obligation Bonds Outstanding
\$(millions)

June 30	Amount	June 30	Amount	June 30	Amount
1975	\$ 351	1985	2,084.0	1995	1,901.6
1976	420.8	1986	2,673.5	1996	1,779.1
1977	519.5	1987	2,463.9	1997	1,777.5
1978	545.2	1988	2,170.4	1998	1,774.7
1979	768.5	1989	1,966.9	1999	1,832.0
1980	827.1	1990	2,002.1	2000	1,603.0
1981	1,091.0	1991	1,854.8	2001	1,850.4
1982	1,316.2	1992	1,729.8	2002	1,980.9
1983	1,619.1	1993	1,814.0	2003	1,932.6
1984	2,105.8	1994	1,759.9		

Source: Alaska Taxable 1975-2003

2. General Obligation Debt Ratios

Tables 4.3, 4.4 and 4.5 present ratios of municipal debt to population and to the estimated full value of taxable property in Alaska and the U.S. as a whole. Alaska's sparse population leads to substantially higher debt ratios than U.S. medians. The presence of enormous oil and gas property values in certain municipalities has also contributed to higher per capita debt loads. However, when State reimbursement is factored out, municipal debt ratios in many cases fall below U.S. medians.

TABLE 4.3
Per Capita Municipal and State
General Obligation Debt
1985-2003

year	population (thousands)	municipal debt \$ (millions)	State of Alaska debt \$ (millions)	total G.O. debt \$ (millions)	per capita G.O. debt (dollars)
1985	547,475	\$ 2,084	\$ 924	\$ 3,029	\$ 5,534
1986	572,029	2,673	706	3,380	5,910
1987	574,200	2,463	598	3,062	5,333
1988	575,982	2,170	489	2,660	4,619
1989	540,563	1,966	386	2,353	4,353
1990	545,774	2,002	290	2,292	4,201
1991	579,659	1,854	213	2,067	3,567
1992	585,000	1,729	156	1,886	3,225
1993	599,200	1,813	108	1,921	3,208
1994	606,278	1,759	78	1,838	3,032
1995	615,900	1,901	58	1,959	3,182
1996	619,100	1,779	39	1,818	2,937
1997	611,300	1,778	24	1,802	2,947
1998	621,400	1,775	11	1,786	2,874
1999	622,000	1,832	2	1,834	2,949
2000	622,000	1,603	-	1,603	2,577
2001	628,800	1,850	-	1,850	2,942
2002	634,892	1,981	-	1,981	3,120
2003	643,786	\$ 1,933	\$ 462	\$ 2,395	\$ 3,719

Source: Alaska Taxable, 1985-2003

TABLE 4.4
Municipal G.O. Debt, Population and Valuation
June 30, 2003
\$(thousands)

Boroughs and Cities within Boroughs	population	tull value determination (thousands)	per cap full value	municipal G.O. debt (thousands)	per capita G.O. debt
Aleutians East Borough	2,729	\$96,073	\$ 35,204	\$8,105	\$ 2,970
Municipality of Anchorage	269,070	\$21,214,675	\$ 78,844	\$916,355	3,406
Fairbanks North Star Borough	84,791	\$5,418,780	\$ 63,907	\$130,340	1,537
<i>City of Fairbanks</i>	29,670	\$1,610,730	\$ 54,288	\$6,100	206
Haines Borough	2,360	\$219,311	\$ 92,929	\$1,822	772
City & Borough of Juneau	30,981	\$2,934,770	\$ 94,728	\$31,210	1,007
Kenai Peninsula Borough	51,187	\$5,343,012	\$ 104,382	\$17,874	349
<i>City of Homer</i>	4,721	\$448,444	\$ 94,989	\$2,121	449
<i>City of Kenai</i>	7,166	\$484,757	\$ 67,647	\$300	42
<i>City of Seldovia</i>	308	\$25,907	\$ 84,114	\$60	195
<i>City of Seward</i>	2,794	\$244,989	\$ 87,684	\$9,680	3,465
<i>City of Soldotna</i>	3,944	\$400,715	\$ 101,601	\$1,400	355
Ketchikan Gateway Borough	13,670	\$1,109,850	\$ 81,189	\$28,480	2,083
<i>City of Ketchikan</i>	7,845	\$651,475	\$ 83,043	\$12,060	1,537
Kodiak Island Borough	13,852	\$995,067	\$ 71,836	\$15,620	1,128
Lake and Peninsula Borough	1,641	\$61,978	\$ 37,768	\$5,579	3,400
Matanuska-Susitna Borough	65,241	\$4,115,272	\$ 63,078	\$112,540	1,725
<i>City of Palmer</i>	5,159	\$326,099	\$ 63,210	\$1,515	294
<i>City of Wasilla</i>	6,343	\$504,879	\$ 79,596	\$19,670	3,101
North Slope Borough	9,402	\$10,741,203	\$1,142,438	\$520,897	55,403
<i>City of Kaktovik</i>	306	\$4,986	\$ 16,295	\$730	2,386
Northwest Arctic Borough	7,266	\$382,139	\$ 52,593	\$46,115	6,347
City & Borough of Sitka	8,894	\$732,810	\$ 82,394	\$14,185	1,595
City and Borough of Yakutat	724	\$52,856	\$ 73,005	\$505	698
Municipalities Outside Boroughs					
City of Cordova	2,434	\$95,948	\$ 39,420	\$2,905	1,194
City of Craig	1,227	\$95,948	\$ 78,197	\$1,080	880
City of Galena	713	\$18,588	\$ 26,071	\$0	-
City of Hoonah	868	\$36,095	\$ 41,584	\$1,360	1,567
City of Nome	3,493	\$212,301	\$ 60,779	\$3,201	917
City of Petersburg	3,146	\$249,397	\$ 79,274	\$3,715	1,181
City of Saint Paul	533	\$55,194	\$ 103,554	\$8,059	15,119
City of Skagway	841	\$229,816	\$ 273,265	\$455	541
City of Unalaska	4,051	\$354,478	\$ 87,504	\$5,708	1,409
City of Wrangell	2,144	\$146,189	\$ 68,185	\$2,839	1,324
Total	581,258	\$54,911,747	94,471	\$1,932,586	3,325
State of Alaska G.O. Debt	643,786	58,360,844	\$ 90,653	461,935	\$ 718
Statewide Total	\$ 643,786	\$ 58,360,844	\$ 90,653	\$2,394,521	\$ 3,719

Source: Alaska Taxable, 2003

TABLE 4.5
U.S. Municipal Debt Ratios

population	<u>Net Debt Per Capita</u>				<u>Ratio of Net Debt to Estimated Full Value</u>			
	<u>Direct Net Debt</u> median	<u>Overall Net Debt</u> ¹			<u>Direct Net Debt</u> median	<u>Overall Net Debt</u> ¹		
		low	median	high		low	median	high
Cities								
500,000 and over	\$ 880	\$ 743	\$1,531	\$ 2,419	2.5%	2.0%	4.7%	13.1%
300,000 to 499,999	1,086	657	1,478	3,280	2.2%	2.4%	3.4%	12.5%
200,000 to 299,000	865	767	1,728	2,974	2.2%	2.4%	4.4%	9.2%
100,000 to 199,999	931	521	1,459	4,519	2.2%	0.9%	3.8%	25.0%
50,000 to 99,999	745	140	1,314	4,010	1.6%	0.3%	3.3%	14.0%
25,000 to 49,999	765	225	1,366	6,055	1.6%	0.4%	2.8%	10.3%
10,000 to 24,999	811	23	1,579	7,959	1.7%	0.3%	3.3%	13.4%
Under 10,000	1,028	121	2,012	69,325	2.1%	0.3%	4.1%	10.70%
Counties								
1,000,000 and over	520	1,168	1,733	3,000	1.0%	2.3%	3.0%	6.1%
250,000 to 999,999	392	435	1,440	3,692	0.7%	0.8%	2.7%	7.6%
100,000 to 249,999	293	246	1,161	3,864	0.8%	0.7%	2.5%	9.2%
Under 100,000	\$ 376	\$ 274	\$1,052	\$73,355	0.8%	0.2%	2.3%	9.8%

¹ Overall debt ratios include debt of geographically overlapping or underlying municipalities.

Source: 1998 Medians, Moody's Investors Service.

3. Revenue Bonds

In addition to General Obligation Debt that is supported by local taxes, cities and boroughs may issue debt that is supported by the revenues generated by the project financed through the issuance of debt. At the end of June, 2003, approximately \$544.5 million in revenue bonds were outstanding, as shown on Tables 4.6 and 4.7.

TABLE 4.6
Alaska Municipal Debt Issued and Outstanding
\$(millions)

Fiscal Year	Amount Outstanding		Revenue Debt Outstanding as % of total
	G.O.	revenue	
1972	\$ 297.2	\$ 63.0	17.5%
1973	319.9	70.3	18.0%
1974	395.1	77.6	16.4%
1975	416.8	93.9	18.4%
1976	452.5	99.4	18.0%
1977	514.1	288.6	36.0%
1978	449.5	281.8	38.5%
1979	731.6	286.3	28.1%
1980	809.4	347.0	30.0%
1981	1,030.2	441.3	30.0%
1982	1,214.9	512.4	29.7%
1983	1,591.3	592.1	27.1%
1984	1,951.7	630.1	24.4%
1985	2,131.0	720.0	25.3%
1986	2,420.0	817.0	25.2%
1987	2,332.0	1,006.0	30.1%
1988	2,157.5	1,007.5	31.8%
1989	2,327.7	1,000.7	30.1%
1990	2,201.5	1,137.0	34.1%
1991	2,116.8	1,241.1	37.0%
1992	1,720.5	640.6	27.1%
1993	1,809.9	537.2	22.9%
1994	1,759.9	587.9	25.0%
1995	1,901.6	552.1	22.5%
1996	1,779.1	580.8	24.6%
1997	1,777.5	682.0	27.7%
1998	1,705.0	664.0	28.0%
1999	1,832.0	471.0	20.5%
2000	1,602.9	541.3	25.2%
2001	1,850.4	590.3	24.2%
2002	\$ 1,980.8	\$ 550.2	21.7%
2003	\$ 1,932.6	\$ 544.5	22.0%

Source: Alaska Taxable 2003

TABLE 4.7
Alaska Municipal Debt Outstanding by Issuer
June 30, 2003
\$(thousands)

boroughs and cities within boroughs	G.O. debt	revenue debt	total debt	% of debt	
				school G.O. total	state's share
Aleutians East	\$ 8,105	-	\$ 8,105	\$ 3,455	70%
Anchorage	916,355	\$ 411,295	1,327,650	449,471	70%
Bethel	-	499	499	-	-
Cordova	2,905	18	2,923	-	-
Craig	1,080	31	1,111	-	-
Fairbanks	6,100	-	6,100	-	-
Fairbanks NSB	130,340	-	130,340	121,294	72%
Galena	-	-	-	-	-
Haines	1,822	1,840	3,662	-	-
Homer	2,121	-	2,121	-	-
Hoonah	1,360	-	1,360	1,388	70%
Juneau	31,210	8,190	39,400	19,523	70%
Kaktovik	730	-	730	-	-
Kenai	300	-	300	-	-
Kenai Borough	17,874	-	17,874	24,964	70%
Ketchikan	12,060	27,710	39,770	-	-
Ketchikan Bor.	28,480	4,200	32,680	15,362	70%
King Cove	-	2,900	2,900	-	-
Klawack	-	1,402	1,402	-	-
Kodiak	-	2,290	2,290	-	-
Kodiak Bor.	15,620	-	15,620	9,454	70%
Kotzebue	-	692	692	-	-
Lake Peninsula	5,579	-	5,579	3,744	70%
Mat-Su	112,540	-	112,540	102,463	70%
Nenana	-	4,500	4,500	-	-
Nome	3,202	3,634	6,835	-	-
North Pole	-	614	614	-	-
North Slope	520,897	-	520,897	12,146	70%
Northwest Arctic	46,115	-	46,115	46,115	70%
Palmer	1,515	196	1,711	-	-
Petersburg	3,715	835	4,550	-	-
St. Paul	8,058	-	8,058	-	-
Seldovia	60	-	60	-	-
Seward	9,680	5,640	15,320	-	-

TABLE 4.7 (Continued)
Alaska Municipal Debt Outstanding by Issuer
June 30, 2003
\$(thousands)

Sitka	14,185	41,050	55,235	14,185	70%
Skagway	455	-	455	-	-
Soldotna	1,400	-	1,400	-	-
Unalaska	5,708	1,285	6,993	5,703	74%
Valdez	-	19,000	19,000	-	-
Wasilla	19,670	3,000	22,670		-
Wrangell	2,839	2,828	5,667	2,139	86%
Yakutat	505	815	1,320	505	70%
Total	<u>\$ 1,932,585</u>	<u>\$ 544,463</u>	<u>\$ 2,477,048</u>	<u>\$ 831,911</u>	

Source: Alaska Dept. of Community & Economic Development and Dept. of Education and Early Development

In FY 2003, revenue bonds accounted for approximately 22.0% of all local debt outstanding in Alaska. Some major municipal borrowers in Alaska have no revenue debt at all. Such borrowers include the Fairbanks North Star Borough, both Kenai City and Borough and North Slope Borough.

In these boroughs, one reason for the lack of revenue debt may be the presence of oil and gas property. That is, substituting G.O bonds for revenue bonds transfers much of the debt burden that would otherwise fall on local users to the State. This is because the State also taxes oil and gas property but allows a credit against tax liabilities for taxes paid to municipalities. Thus municipal property taxes on oil and gas property directly reduce the State payment.

4. Municipal School Debt Reimbursement

As of June 30, 2003, \$831.9 million of municipal G.O. school debt was outstanding. Under a program enacted in 1970 (Alaska Statutes 14.11.100), the State will reimburse the municipalities for up to 60, 70, 80, 90, or 100 percent of the debt service on this debt, depending on the year the debt was issued or authorized. Approximately \$599.2 million of the municipal G.O. school debt outstanding may be fully paid by the State through the program.

Although the statute provides that the State will reimburse school districts for a percentage of construction costs, the actual funding for the program is dependent on annual legislative appropriations. The State has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute. When amounts are insufficient, available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the State to make these payments. This does not jeopardize the security of the debt, because the school debt has the full faith and credit of an issuer with taxing powers behind it, i.e., the municipality. Since 1983 the program has been funded at the percent of entitlement shown in Table 4.8.

TABLE 4.8
Proration of State Reimbursement of
Municipal School Debt
\$(thousands)

fiscal year	amount of payments (1983-03) or appropriations (2004)	percent of entitlement
1983	\$ 36,203	83%
1984	90,600	100%
1985	93,161	100%
1986	106,315	97%
1987	115,845	91%
1988	109,472	92%
1989	109,472	96%
1990	107,831	89%
1991	116,668	94%
1992	128,986	100%
1993	127,603	100%
1994	99, 146	100%
1995	103,345	100%
1996	79,700	100%
1997	62,476	100%
1998	61,640	100%
1999	61,991	100%
2000	64,350	100%
2001	52,099	100%
2002	54,057	100%
2003	56,378	100%
2004	66,024	100%

Source: State of Alaska, Department of Education & Early Development

Moody's Investor Service and Standard & Poor's Corporation treat reimbursement of local school debt in different ways. Neither agency "double counts" the debt liability associated with the reimbursement, either at the local level or the state level. At the local level, Moody's does not deduct any portion of the local school debt payable by the State of Alaska. There are three primary reasons for this decision. First, according to Moody's, there is considerable lag time between the debt service payment dates and the actual reimbursement by the State of Alaska (while this may have been true in earlier years, the current reimbursements happen within weeks of the debt service disbursement); second, and much more important, since the debt service reimbursements are subject to appropriation, there are many instances across the country where reimbursement of local debt has been reduced and eliminated (Massachusetts is cited as a state that has altered such arrangements); and third, as a policy matter, it would not be consistent with the way the agency handles similar debt in other states and would thus harm the comparability of State debt ratios. For these reasons, the State's responsibility for this reimbursement does not appear in the Moody's calculation of the State's overall debt load.

At the same time, Moody's does footnote local debt issues with a statement that the State of Alaska will reimburse localities for a large portion of debt service payments for local school debt. In addition, while no credit for the reimbursement is given to localities in computing local debt loads, Moody's analysts do recognize that in general, greater debt capacity does exist at the local level as a result of the reimbursement, and that less debt capacity exists at the State level for similar reasons.

When computing the size of local school debt, S&P does deduct the portion of such debt that is paid by the State for local school debt service. Thus, S&P arrives at a “net debt” liability for the local unit. At the same time, the rating agency assigns to the State the total proportionate amount of local school debt that is outstanding and serviced by the State’s reimbursement of such debt from State appropriations.

Full funding of currently outstanding bonds eligible for participation in the school debt reimbursement program for FY03 is estimated to require an appropriation of \$66.0 million.

5. Property Tax Limits

Two municipalities that have large oil and gas property values, the North Slope Borough and Valdez, may be subject to limitations on the amount of full value that can be taxed. A municipality may choose to levy property taxes for its operating budget under one of two methods. Under AS 29.45.080(b), total property tax revenues may not exceed the equivalent of \$1,500 per capita.

Under AS 29.45.080(c), the total property value that can be taxed is limited to the municipality's population multiplied by 225 percent of the average statewide per capita full value. Although AS 29.45.090(a) limits municipal property tax rates to 3 percent or less (30 mills), AS 29.45.100 provides that taxes may be levied without limitation as to rate or amount to pay debt service.

6. Credit Ratings

Table 4.9 contains current credit ratings of Alaska municipalities that have a Moody's or Standard & Poor's rating.

TABLE 4.9
Credit Ratings of Alaska Municipalities

municipality	Moody's ¹	Standard & Poor's ²
Anchorage, Municipality of	Aa3	AA-
Fairbanks, City	NR	NR
Fairbanks North Star Borough	A1	A+
Homer	NR	NR
Juneau, City & Borough	A2	NR
Kenai Peninsula Borough	NR	NR
Ketchikan, City	Baa2	BBB+
Ketchikan Gateway Borough	Baa1	NR
Kodiak, City	NR	NR
Kodiak Island Borough	NR	NR
Matanuska-Susitna Borough	A2	NR
North Slope Borough	A3	A-
Petersburg	NR	NR
Sitka, City & Borough	Baa1	NR
Valdez	NR	NR

¹ Moody's Bond Desk, January 2002

² S&Ps Municipal Bond Desk, January 2002

III. Supplementary Information

A. State Debt Capacity

The ratio of debt service to revenue has been used as a guideline for determining Alaska's debt capacity. This guideline has been utilized as the State's oil revenues have elevated the debt capacity of the State. Using the more traditional ratios of state credit analysis – net tax-supported debt per capita, net tax supported debt as a percentage of personal income, and total net tax supported debt, few states have more favorable ratios than the State (when considering only State of Alaska G.O. bonds, University of Alaska bonds which are State supported, State reimbursement of municipal school debt, and lease payments on lease-purchase financing). However, when including all Alaska's governmental unit's debt, the State has ratios higher than the national averages.

Oil revenues generated in Alaska have been very large in per capita terms. Thus, the debt they support has also been very large in per capita terms. Compared with other states, higher levels per capita in Alaska have been expected due to the small population base, its greater geographic dispersion, and its higher price levels.

Besides boosting debt levels, petroleum revenues have elevated personal income levels as a result of State spending of the revenues and have significantly increased taxable property values as a result of petroleum development. Oil and gas taxable property represented approximately 25 percent of total taxable property in the State as of January 1, 2003.

As petroleum revenues recede with declines in Prudhoe production, the measure of the State's debt capacity will shift from a percentage of revenue figure to a measure more closely allied to the traditional debt ratios. Yet, because of small population and large geography, governmental units in Alaska will, on average, continue to carry more debt than in other states. For this reason, the burden of debt service in relation to revenue will continue to be important.

1. Debt Capacity as Measured by Revenues

The State's debt may be measured by comparing such debt service to unrestricted revenues. The State's historical policy has been that debt service should not exceed 5 percent of unrestricted revenues. This target was at times exceeded due to fluctuations in the price of petroleum. The State's debt capacity will be reduced to compensate for changes in unrestricted revenue due to low petroleum prices.

Table 5.0 shows past ratios of State general obligation debt service to unrestricted revenue. From 1985 to 1989, the ratio exceeded 5%. In recent years, debt service has included, for determining debt capacity, debt service on State general obligation bonds, University of Alaska bonds that are State supported, State reimbursement of municipal school debt, and lease payments on lease-purchase financing. Inclusion of the above items brings all debt paid from the State's General Fund within the measure of debt burden generally used by the rating agencies. State policy has attempted to maintain this more inclusive ratio in the range of 5% to 8% as seen in Table 5.2.

Tables 5.1 and 5.2 provide historical and projected payments for all debt service paid from the General Fund.

TABLE 5.0
State of Alaska
Ratio of General Obligation Bond Debt Service
To Expenditures and Unrestricted Revenues
\$(thousands)

fiscal year	debt service	general fund expenditures*	unrestricted revenues**	ratio of debt service to	
				expenditures	unrestricted revenues
1980	\$75,072.0	\$ 1,476,914.0	\$ 2,467,361.0	5.1%	3.0%
1981	97,632	4,612,915	3,702,364	2.1%	2.6%
1982	97,459	4,005,604	4,052,956	2.4%	2.4%
1983	143,624	3,846,442	3,587,757	3.7%	4.0%
1984	166,336	3,388,629	3,472,801	4.9%	4.8%
1985	169,523	3,698,469	3,263,041	4.6%	5.2%
1986	163,244	3,653,359	2,912,381	4.5%	5.6%
1987	154,892	3,026,476	1,752,854	5.1%	8.8%
1988	147,906	3,054,559	2,304,835	4.8%	6.4%
1989	135,512	3,185,524	2,186,217	4.3%	6.2%
1990	120,306	2,843,470	2,741,787	4.2%	4.4%
1991	95,482	2,804,676	2,986,600	3.4%	3.2%
1992	68,201	3,023,658	2,462,700	2.3%	2.8%
1993	59,688	3,145,310	2,352,100	1.9%	2.5%
1994	33,819	3,338,553	1,652,600	1.0%	2.0%
1995	22,917	3,312,357	2,083,000	0.7%	1.1%
1996	21,305	3,385,929	2,133,400	0.6%	1.0%
1997	16,496	3,350,248	2,495,000	0.5%	0.7%
1998	14,219	3,295,781	1,825,800	0.4%	0.8%
1999	8,839	3,425,167	1,352,200	0.3%	0.7%
2000	-	3,553,841	2,148,000	0.0%	0.0%
2001	-	3,757,893	2,350,600	0.0%	0.0%
2002	-	5,405,700	1,724,900	0.0%	0.0%
2003	-	5,582,388	2,029,700	0.0%	0.0%

Source: State of Alaska, CAFR, and Revenue Sources Book

* Permanent Fund income and Constitutional Budget Reserve Draws included from 2002 forward

** Permanent Fund income is not included in unrestricted revenue

TABLE 5.1
State of Alaska
Debt Service on State Unsupported Debt
\$(millions)

fiscal year	state G.O.	university	lease / purchase	Capital Leases(2)	school debt reimbursement ¹	Capital Project Reimbursements	total debt service
1979	\$ 60.0	\$ 1.7	\$ 10.1	-	\$ 22.3	-	\$ 94.1
1980	75.1	1.8	10.1	-	24.1	-	111.1
1981	97.6	2.2	10.0	-	38.4	-	148.2
1982	97.5	2.3	10.0	-	38.3	-	148.1
1983	143.6	2.3	9.9	-	36.2	-	192.0
1984	166.3	2.0	9.9	-	90.6	-	268.8
1985	169.5	2.0	10.7	-	93.2	-	275.4
1986	163.2	1.8	10.4	-	106.3	-	281.7
1987	154.9	1.8	11.2	-	115.8	-	283.7
1988	147.9	1.5	11.2	-	109.5	-	270.1
1989	135.5	2.2	11.7	-	109.5	-	258.9
1990	120.3	2.2	12.0	-	107.8	-	242.3
1991	95.5	2.7	12.0	-	116.7	-	226.9
1992	68.2	2.7	11.8	-	129.0	-	211.7
1993	59.7	3.7	11.2	-	127.6	-	202.2
1994	33.8	0.2	8.5	-	99.1	-	141.6
1995	22.9	0.2	10.2	-	103.3	-	136.6
1996	21.3	0.2	9.6	-	79.7	-	110.8
1997	16.5	0.2	9.5	-	62.5	-	88.7
1998	14.2	0.2	10.3	-	61.6	-	86.3
1999	8.8	0.2	15.5	-	62.0	-	86.5
2000	2.4	-	15.0	3.5	64.4	-	85.3
2001	-	-	12.8	3.5	52.1	-	68.4
2002	-	-	12.4	8.8	54.1	-	75.3
2003	-	-	12.8	8.8	52.0	5.9	79.5
2004	19.4	-	12.1	8.8	56.8	2.8	99.9
2005	46.4	-	13.8	8.8	62.9	3.6	135.5
2006	45.7	-	13.1	8.8	61.0	4.0	132.6
2007	45.0	-	10.6	8.8	62.7	4.0	131.1
2008	44.4	-	9.0	8.8	56.9	4.0	123.1
2009	43.9	-	5.4	8.8	51.5	4.0	113.6
2010	43.4	-	5.9	8.8	51.7	4.0	113.8
2011	42.9	-	5.9	8.8	51.7	4.0	113.3
2012	42.5	-	5.9	8.8	49.1	4.0	110.3
2013	42.1	-	5.9	8.8	48.2	4.0	109.0
2014	41.8	-	2.9	8.8	48.2	4.0	105.7
2015	29.3	-	2.7	8.8	46.1	3.5	90.4
2016	29.1	-	2.9	8.8	43.3	2.6	86.7
2017	29.0	-	2.9	8.8	40.9	2.6	84.2
2018	28.9	-	1.2	5.4	37.1	2.6	75.2
2019	28.8	-	1.2	5.4	32.2	1.8	69.4
2020	17.6	-	-	5.4	26.6	0.5	50.1
2021	17.6	-	-	-	24.8	0.5	42.9
2022	17.7	-	-	-	13.5	0.5	31.7
2023	17.8	-	-	-	13.4	0.5	31.7
2024	17.8	-	-	-	7.0	0.3	25.1
2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

¹ Represents statewide liability on currently sold bonds

² The two buildings financed with capital leases are debt of the Municipality of Anchorage and the AHFC

TABLE 5.2
State of Alaska
Debt Service to Unrestricted Revenues
Fall 2003 Revenue Forecast of the Department of Revenue

Fiscal Year	Unrestricted Revenues (\$Millions)	State G.O. Debt Service %	State Supported Debt Service %	Total State Debt Service %	School Debt Service %	Total Debt Service to Revenues %
1980	3,718.0	2.6	0.3	3.0	1.0	4.0
1981	4,108.4	2.4	0.3	2.7	0.9	3.6
1982	3,631.0	4.0	0.3	4.3	1.0	5.3
1984	3,390.1	4.9	0.4	5.3	2.7	7.9
1985	3,260.0	5.2	0.4	5.6	2.9	8.4
1986	3,075.5	5.3	0.4	5.7	3.5	9.2
1987	1,799.4	8.6	0.7	9.3	6.4	15.8
1988	2,305.8	6.4	0.6	7.0	4.7	11.7
1989	2,186.2	6.2	0.6	6.8	5.0	11.8
1990	2,507.2	4.8	0.6	5.4	4.3	9.7
1991	2,986.6	3.2	0.5	3.7	3.9	7.6
1992	2,462.6	2.8	0.6	3.4	5.2	8.6
1993	2,352.0	2.5	0.6	3.2	5.4	8.6
1994	1,652.5	2.0	0.5	2.6	6.0	8.6
1995	2,082.9	1.1	0.5	1.6	5.0	6.6
1996	2,133.3	1.0	0.5	1.5	3.7	5.2
1997	2,494.9	0.7	0.4	1.1	2.5	3.6
1998	1,825.5	0.8	0.6	1.4	3.4	4.7
1999	1,352.2	0.7	1.2	1.8	4.6	6.3
2000	2,148.0	0.1	0.9	1.0	3.0	4.0
2001	2,350.6	0.0	0.7	0.7	2.2	2.9
2002	1,724.9	0.0	0.9	0.9	3.0	4.0
2003	1,946.9	0.0	1.1	1.1	2.8	3.9
projected						
2004	2,022.9	3.8	1.2	5.0	2.7	7.6
2005	1,724.3	5.5	1.5	7.0	3.0	10.0
2006	1,492.1	5.3	1.7	7.1	3.8	10.9
2007	1,434.9	5.4	1.6	7.0	4.4	11.4
2008	1,442.0	5.0	1.5	6.6	4.2	10.8

As shown on Table 5.2, debt service on State G.O. and State Supported debt plus school debt reimbursement payments are projected to be approximately 47.6% of revenues in FY 2004.

Table 5.3 presents the ratio of State G.O.'s to full value of taxable property since 1974. The ratio has declined from 6.0% in 1974 to .8% in 2003. As a measure of debt capacity, debt to full value is of minor significance in Alaska due to the existence of a State petroleum property tax.

TABLE 5.3
State of Alaska
Ratio of State General Obligation Debt to Property Values

year	full value: cities, boroughs & unincorporated areas at 1/1 \$(millions)	G.O. bonds outstanding at 6/30 \$(millions)	ratio of debt to full value %
1974	4,853	293	6.0%
1975	6,673	392	5.9%
1976	11,679	462	4.0%
1977	17,102	530	3.1%
1978	21,344	596	2.8%
1979	25,003	670	2.7%
1980	26,927	631	2.3%
1981	29,780	701	2.4%
1982	35,226	842	2.4%
1983	39,090	946	2.4%
1984	45,009	924	2.1%
1985	48,915	816	1.7%
1986	55,026	706	1.3%
1987	47,905	598	1.2%
1988	42,250	489	1.2%
1989	39,563	386	1.0%
1990	39,668	290	0.7%
1991	40,933	213	0.5%
1992	42,167	159	0.4%
1993	42,357	108	0.3%
1994	42,829	78	0.2%
1995	44,394	58	0.1%
1996	45,232	39	0.1%
1997	47,013	24	0.1%
1998	47,541	11	0.0%
1999	49,158	2	0.0%
2000	50,773	0	0.0%
2001	53,230	0	0.0%
2002	55,247	0	0.0%
2003	58,361	462	0.8%

Source: Alaska Taxable Alaska Department of Community and Regional Affairs.

B. Public Pension Systems Liabilities

The State administers two major retirement systems -- the Public Employees' Retirement System (for State employees and employees of political subdivisions who elect to join the system) and the Teachers' Retirement System (for teachers and school administrators). The difference between the present value of projected accrued benefits for employees who are covered by the pension system and the market value of the particular pension system's assets is the amount of the State's unfunded liability. An unfunded pension liability generally is not treated by the rating agencies or investors as debt unless it is judged to constitute a significant burden on the State. However, pension fund liabilities are a long-term obligation of the State.

The financial status of each of the State's public pension systems since FY 1998 is shown in Table 5.4. Actuarial results for FY 2003 will be available in May of 2004.

TABLE 5.4
State of Alaska
Retirement System's Financial Status
\$(millions)

<u>Public Employees' Retirement System (PERS)</u>					
	6/30/1998	6/30/1999	6/30/2000	6/30/2001	6/30/2002
Present Value of					
Accrued Benefits	\$ 6,204	\$ 6,649	\$ 7,377	\$ 7,869	\$ 9,860
Value of Assets	6,572	\$ 7,016	\$ 7,455	\$ 7,942	\$ 7,413
Funding Excess (Unfunded Liability)					
for Accrued Benefits	\$ 368	\$ 367	\$ 78	\$ 73	\$ (2,447)
Funding Ratio	105.9%	105.5%	101.1%	100.9%	75.2%
 <u>Teachers' Retirement System (TRS)</u>					
	6/30/1998	6/30/1999	6/30/2000	6/30/2001	6/30/2002
Present Value of					
Accrued Benefits	\$ 3,446	\$ 3,721	\$ 4,199	\$ 4,603	\$ 5,412
Value of Assets	3,529	3,816	4,184	4,372	3,689
Funding Excess (Unfunded Liability)					
for Accrued Benefits	\$ 83	\$ 95	\$ (15)	\$ (231)	\$ (1,723)
Funding Ratio	102.4%	102.6%	99.6%	95.0%	68.2%

Source: June 30, 2003 State of Alaska PERS and TRS valuation report

The Public Employees' Retirement System's actuarial accrued liabilities are funded at 75.2 percent and the Teachers' System's actuarial accrued liabilities funded at 68.2 percent. Unfunded pension liabilities are generally not considered to be a contingent liability until the funding ratio drops below 60 percent.

C. Credit Ratings of State

The State of Alaska's general obligation bond rating was re-established in 2003 with the issuance of the 2003 Series A and B bonds. The State received AA ratings from the three national bond credit rating agencies. Both Fitch Ratings and Standard and Poor's AA ratings have a stable outlook assigned to them, while Moody's Aa2 rating has a negative outlook assigned to it. Moody's report highlighted the continued reliance on the declining oil industry in Alaska and the recurring fiscal shortfalls of the State. While the negative outlook does not indicate an intent to downgrade the State of Alaska it does elevate the need to address these long term issues.

Following is the State of Alaska's credit rating history, shown on Table 5.5.

TABLE 5.5
State of Alaska Credit Rating History
Ratings as of Date Shown

Moody's Investor Service		Standard and Poor's Corp.		Fitch Investors Service
July 13, 1961	Baa	June 4, 1971	A	May 3, 1994
September 12, 1969	Baa1	January 23, 1975	A+	AA
August 29, 1974	A1	June 14, 1980	AA-	
June 13, 1980	Aa	August 5, 1992 forward	AA	
November 26, 1998 forward	Aa2			

D. Private Activity Bond Ceiling

The Tax Reform Act of 1986 established a ceiling on annual issuance of Qualified Private Activity Bonds (PAB's), effective August 15, 1986, at the level of \$250 million for the remainder of 1986 and for 1987, and \$150 million thereafter. Effective in calendar year 2001 the PAB cap was raised to \$187.5 million for Alaska, in calendar years 2002 the cap was \$225, and in calendar year 2003 the cap was \$228.6 million. The PAB ceiling encompasses qualified mortgage revenue bonds, student loan bonds some of the types of tax-exempt debt issued by AIDEA and AEA, and certain other types of tax-exempt bonds to promote industrial development.

The responsibility for allocating Alaska's annual ceiling was assigned to the State Bond Committee by State law, beginning in 1987. Allocation carry-forwards expire after three calendar years. Table 5.6 summarizes the allocation, use and carry-forwards of the PAB ceiling over the past five years.

TABLE 5.6
Alaska Private Activity Bond Ceiling Allocations
Use and Carryforwards – Last Five Years

calendar year	total ceiling	allocation	use	available carryforward at calendar year end
1999	150,000	6,000 to AIDEA	6,000 by AIDEA	3,980 AIDEA*
		839 to AEA	3,361 by AEA	1,425 AEA
		134,587 to AHFC	193,638 by AHFC	14,921 AHFC
		8,574 to ASLC	40,000 by ASLC	26,324 ASLC
2000	150,000	116,000 to AHFC	90,244 by AHFC	40,678 AHFC
		34,000 to ASLC	40,000 by ASLC	20,324 ASLC
2001	187,500	10,000 to ASLC	20,324 by ASLC	10,000 ASLC
		122,500 to AHFC	100,092 by AHFC	63,086 AHFC
		55,000 NSB**	55,000 by NSB	- NSB
2002	225,000	20,500 to ASLC	- by ASLC	30,524 ASLC
		204,500 to AHFC	192,280 by AHFC	95,606 AHFC
2003	228,600	95,000 to ASLC	30,500 by ASLC	95,024 ASLC
		133,600 to AHFC	- by AHFC	225,606 AHFC

Carryforwards expire after three years.

*The \$3,980,000 shown as available at year end lapsed and was lost after the end of the year.

** North Slope Borough

Source: State Bond Committee

E. State Bond Committee

AS 37.15 includes the State's Bonding Act and creates the State Bond Committee (SBC). The members of the SBC are the Commissioner of Commerce and Economic Development (who serves as chairman), the Commissioner of Revenue (who serves as secretary), and the Commissioner of Administration.

The duties of the State Bond Committee include adopting resolutions and preparing documents necessary for the issuance, sale, and delivery of State bonds. The State Bond Committee must fix the principal amount, denomination, date maturities, place of payment, terms, rights of redemption if any, form, condition and covenants of the bonds; fix the date of sale and the form of the notice of sale; and provide the notice of sale of State debt.

Additionally, the State Bond Committee manages and administers the State debt policy including requests for appropriations to the debt retirement fund, the repayment of State debt and related administrative matters.

Staff support for the State Bond Committee is provided by the Treasury Division of the Department of Revenue.

This publication was released by the Department of Revenue, produced at a cost of \$4.95 per copy, to provide information on Alaska public debt as obligated.